

# South Carolina Updates Presented to

**SOUTH CAROLINA ASSOCIATION OF AUDITORS, TREASURERS,  
AND TAX COLLECTORS**



**February 10, 2023**

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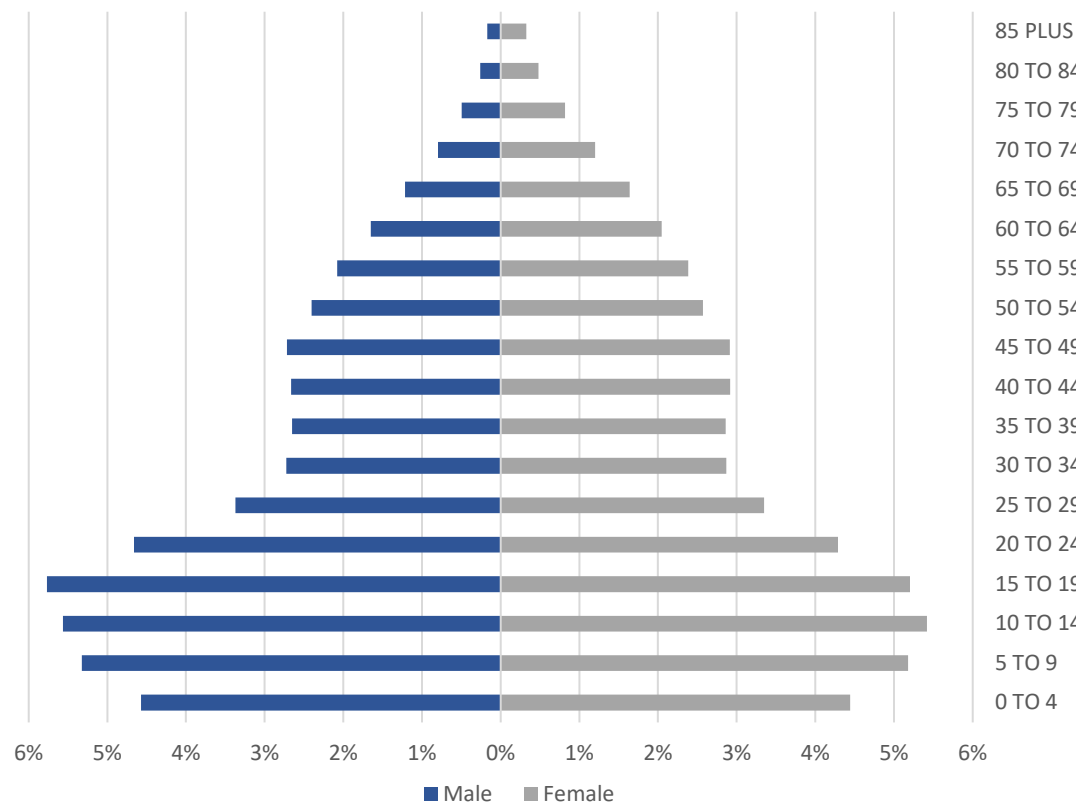
# Demographic Trends and Projections



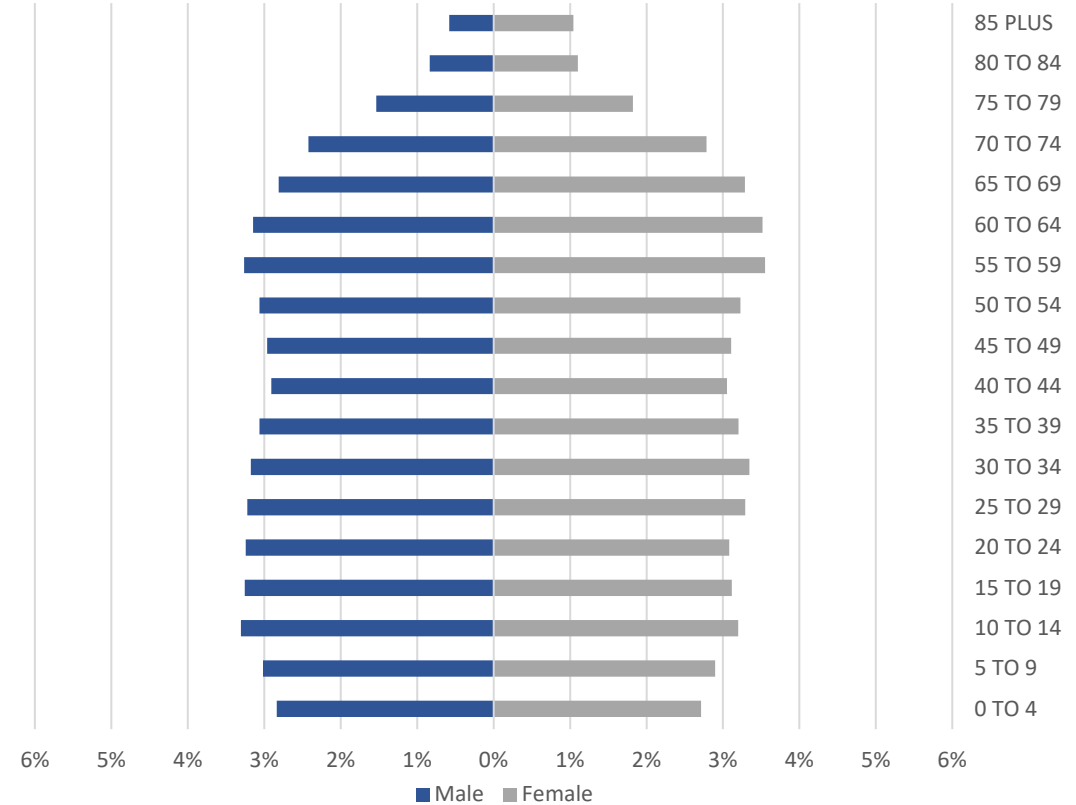
# SC Population Pyramid

The age distribution of the state's population has shifted dramatically since 1970; the median age has increased from 24 in 1970 to 40 in 2020

1970 POPULATION PYRAMID



2020 POPULATION PYRAMID



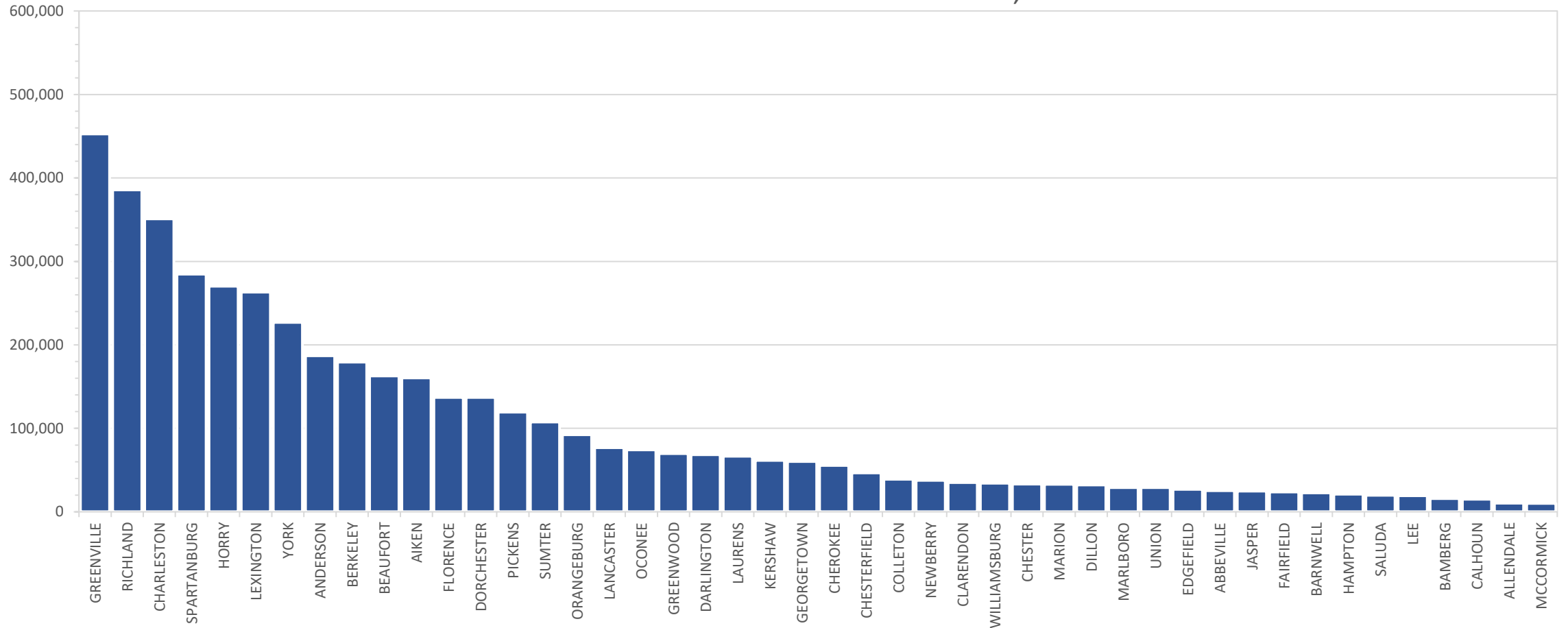
Source: S.C. Revenue and Fiscal Affairs Office 320 /08/25/2020

# South Carolina Population, 2010

Five Largest: Greenville, Richland, Charleston, Spartanburg, Horry

Five Smallest: McCormick, Allendale, Calhoun, Bamberg, Lee

TOTAL POPULATION BY COUNTY, 2010



Source: US Census Bureau, Vintage 2020 Postcensal Estimates

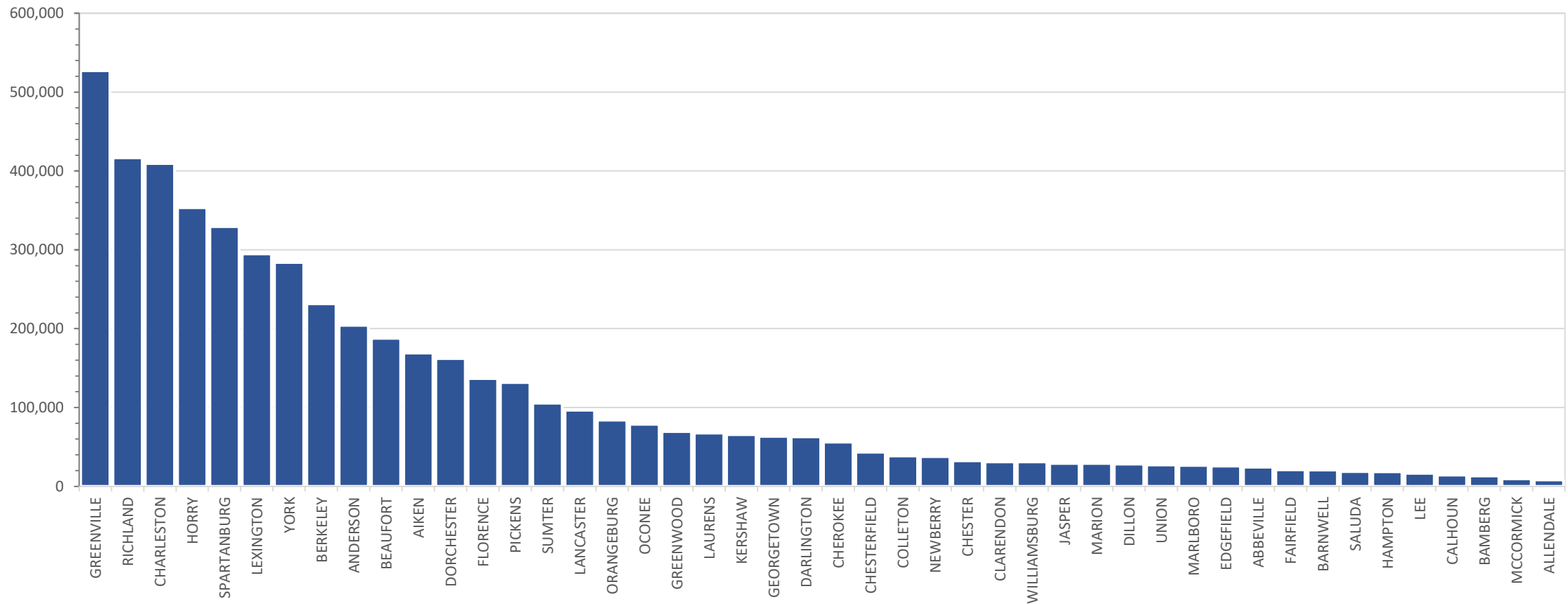


# South Carolina Population, 2020

Five Largest: Greenville, Richland, Charleston, Horry, Spartanburg

Five Smallest: Allendale, McCormick, Bamberg, Calhoun, Lee

TOTAL POPULATION BY COUNTY, 2020



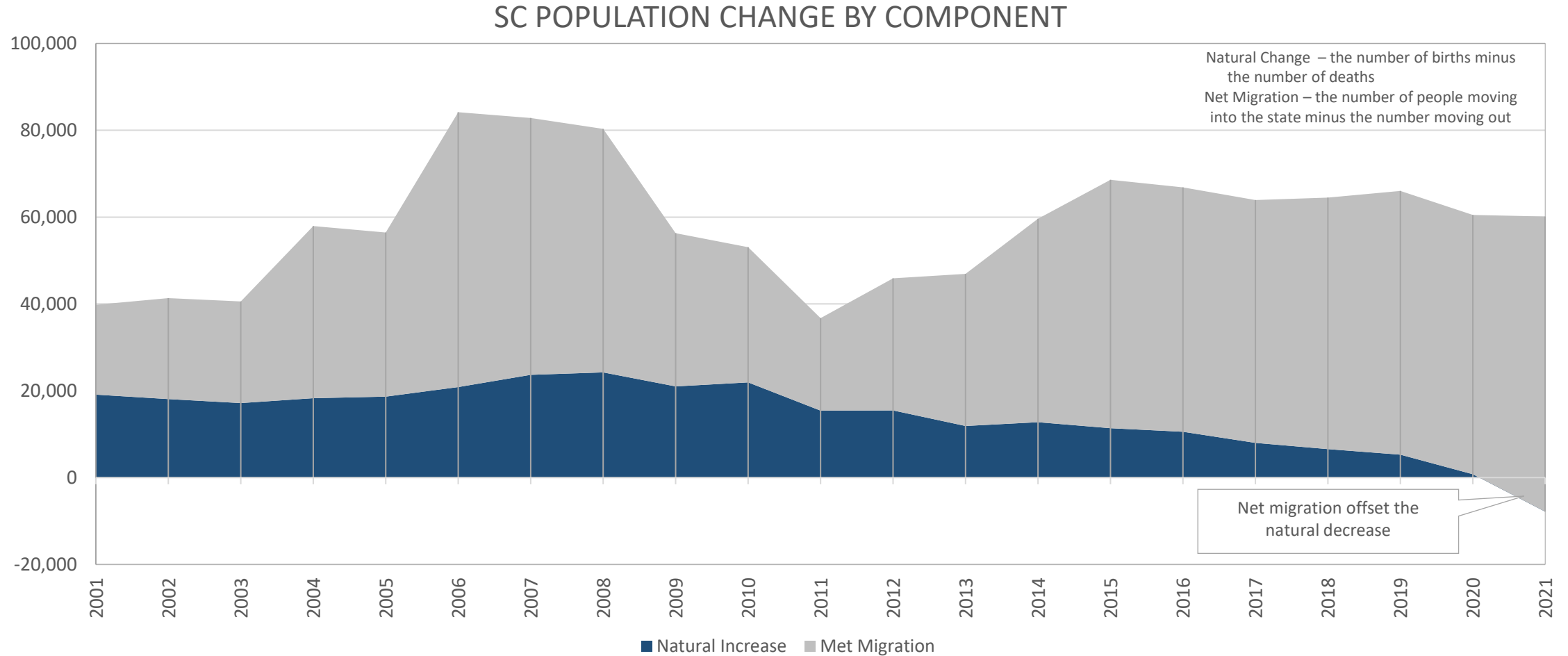
Source: US Census Bureau, Vintage 2021 Postcensal Estimates





# Components of Population Change

Migration into the state contributed more to population than the natural change; deaths exceeded births in 2021



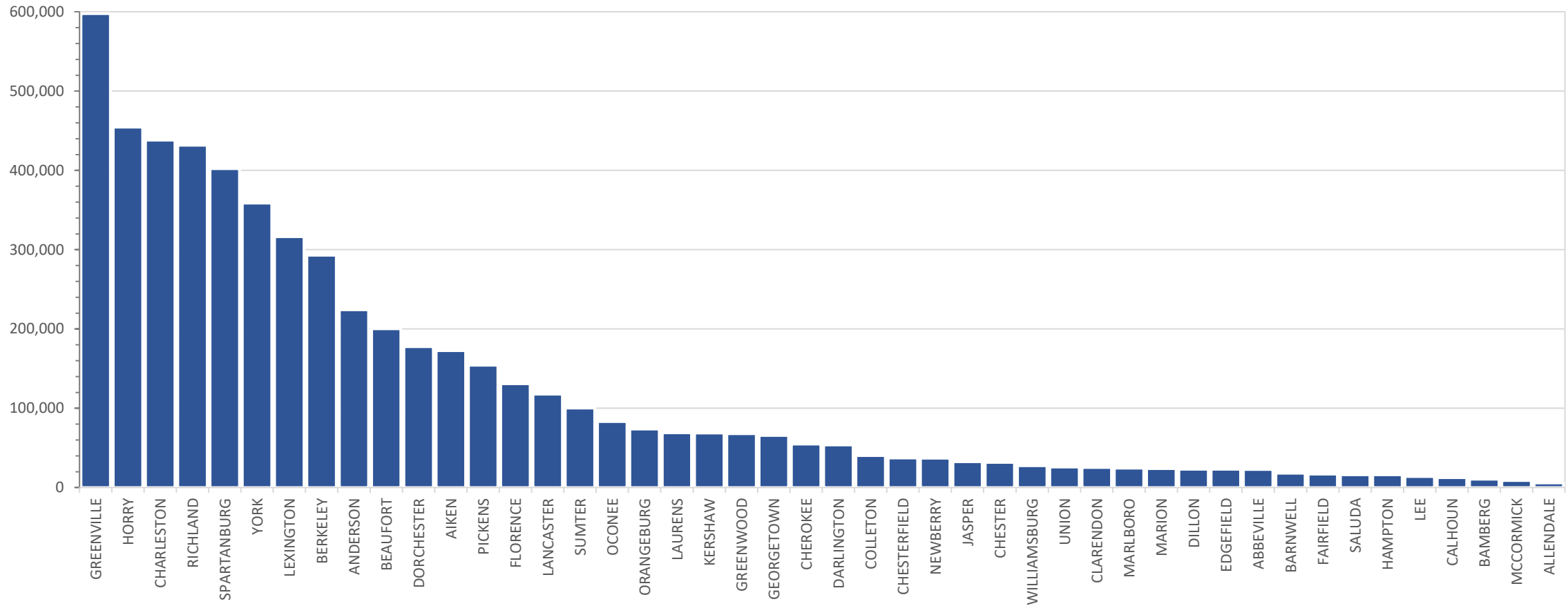
Source: US Census Bureau Population Estimates 321-RFA/08/29/2022

# South Carolina Projected Population, 2030

Five Largest: Greenville, Horry, Charleston, Richland, Spartanburg

Five Smallest: Allendale, McCormick, Bamberg, Calhoun, Lee

TOTAL POPULATION BY COUNTY, 2030



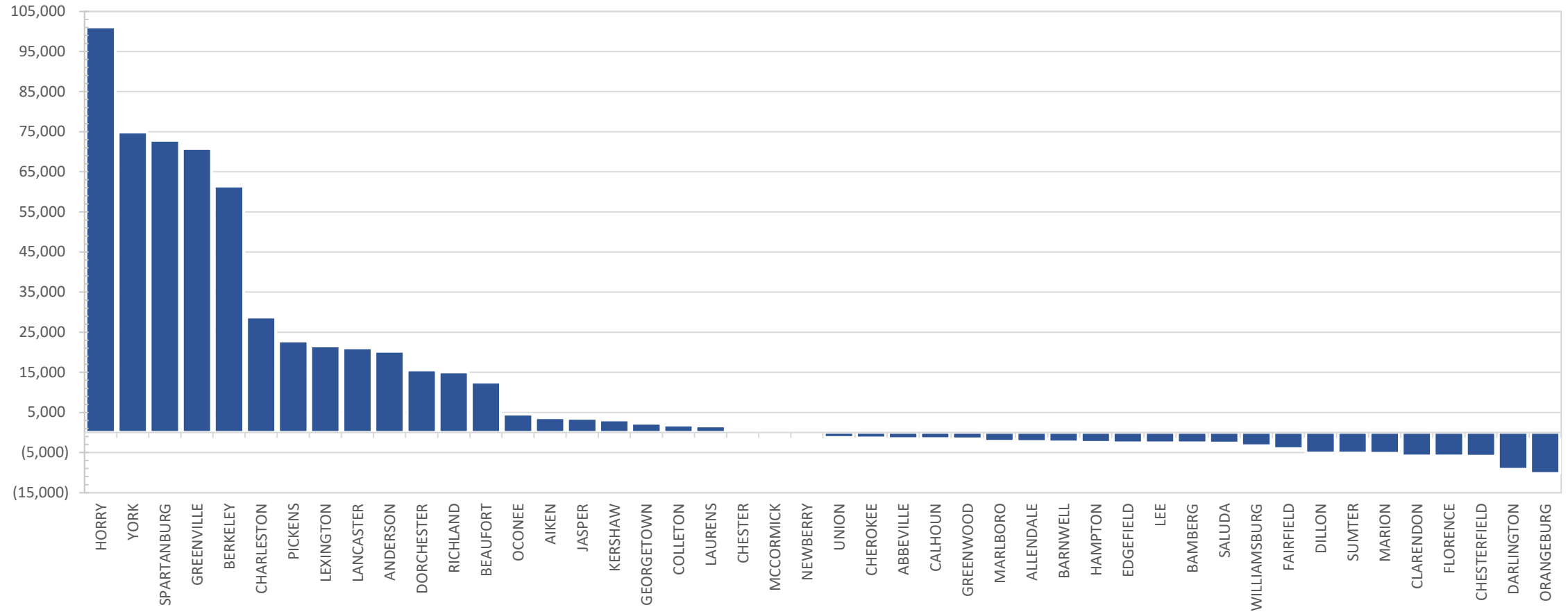
Source: US Census Bureau, Vintage 2021 Postcensal Estimates



# South Carolina Projected Population Change, 2020 - 2030

Horry, York, Spartanburg, Greenville, and Berkeley are expected to experience the highest growth

POPULATION CHANGE BY COUNTY FROM 2020 TO 2030

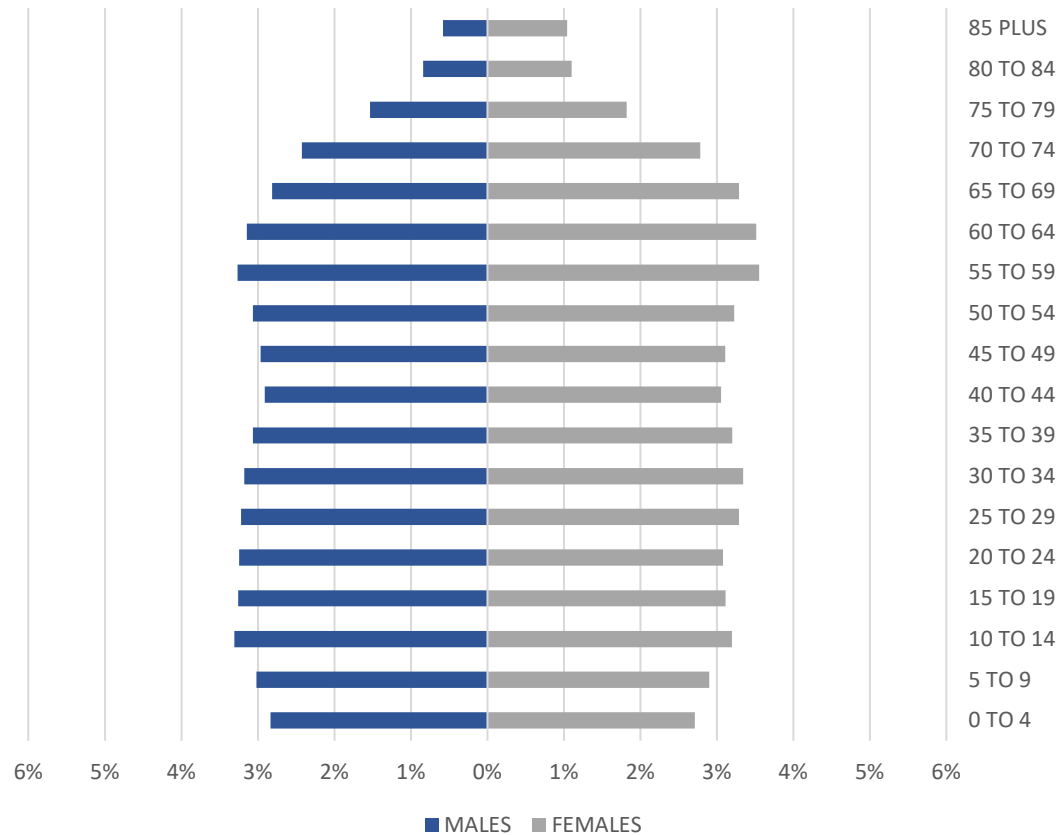


Source: Population Estimates Program Vintage 2020 estimates for 2010, Vintage 2021 estimates for 2020

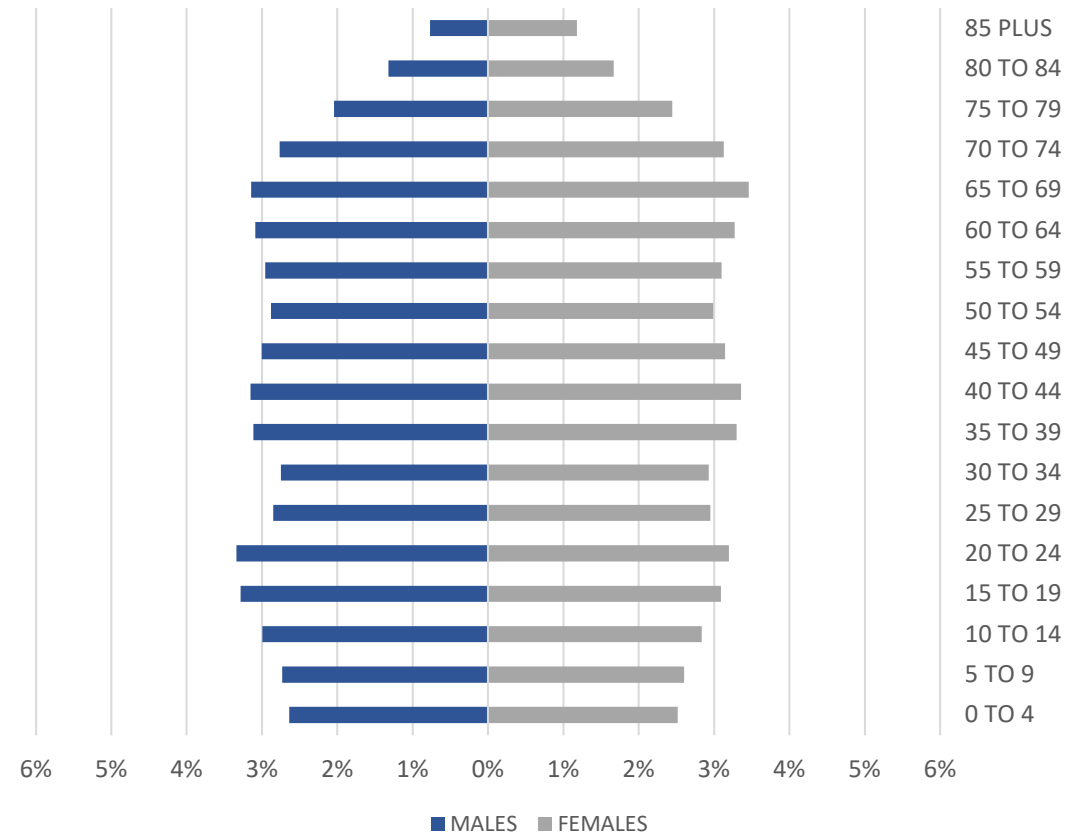
# SC 2030 Population Projections

The median age is expected to increase from 40 to 42 over the next decade; all baby boomers will be older than 65

2020 POPULATION PYRAMID



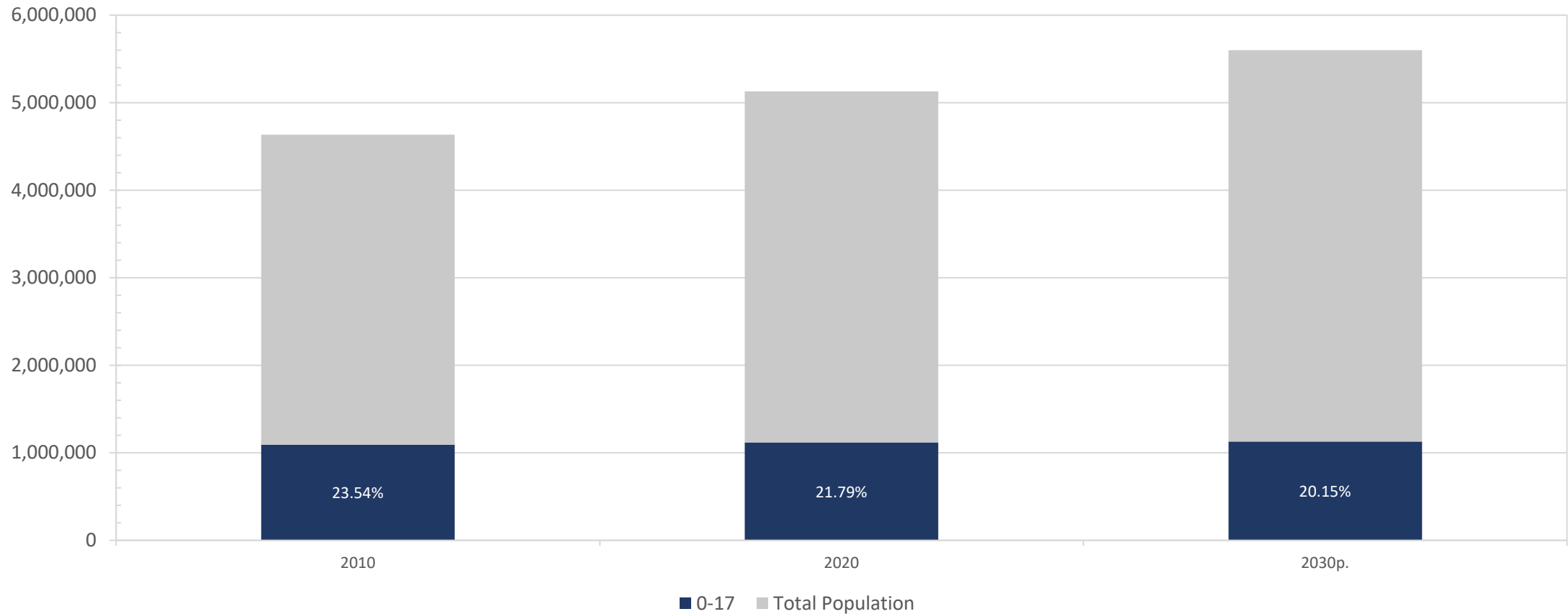
2030 POPULATION PYRAMID



# SC Age 0 - 17 Population

## Projected to decline to 20% of total population by 2030

SC AGE 0 – 17 POPULATION AS A PERCENT OF TOTAL POPULATION

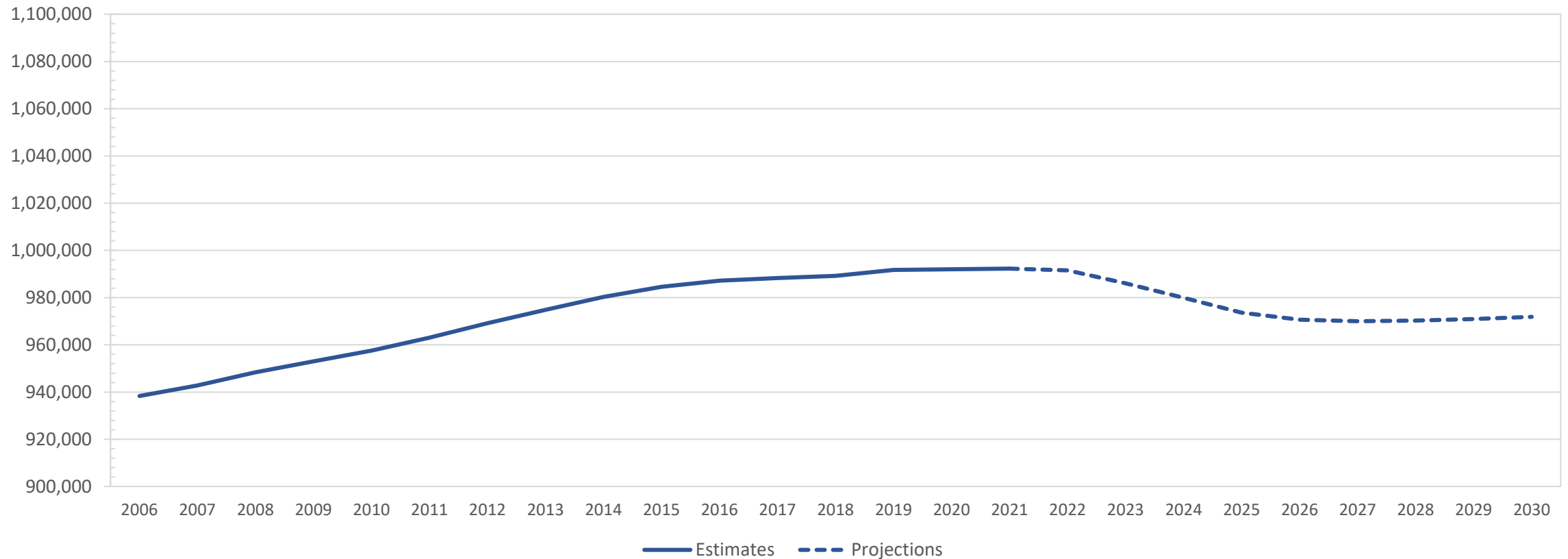




# South Carolina 0 – 17 Age Group Based on Births Alone

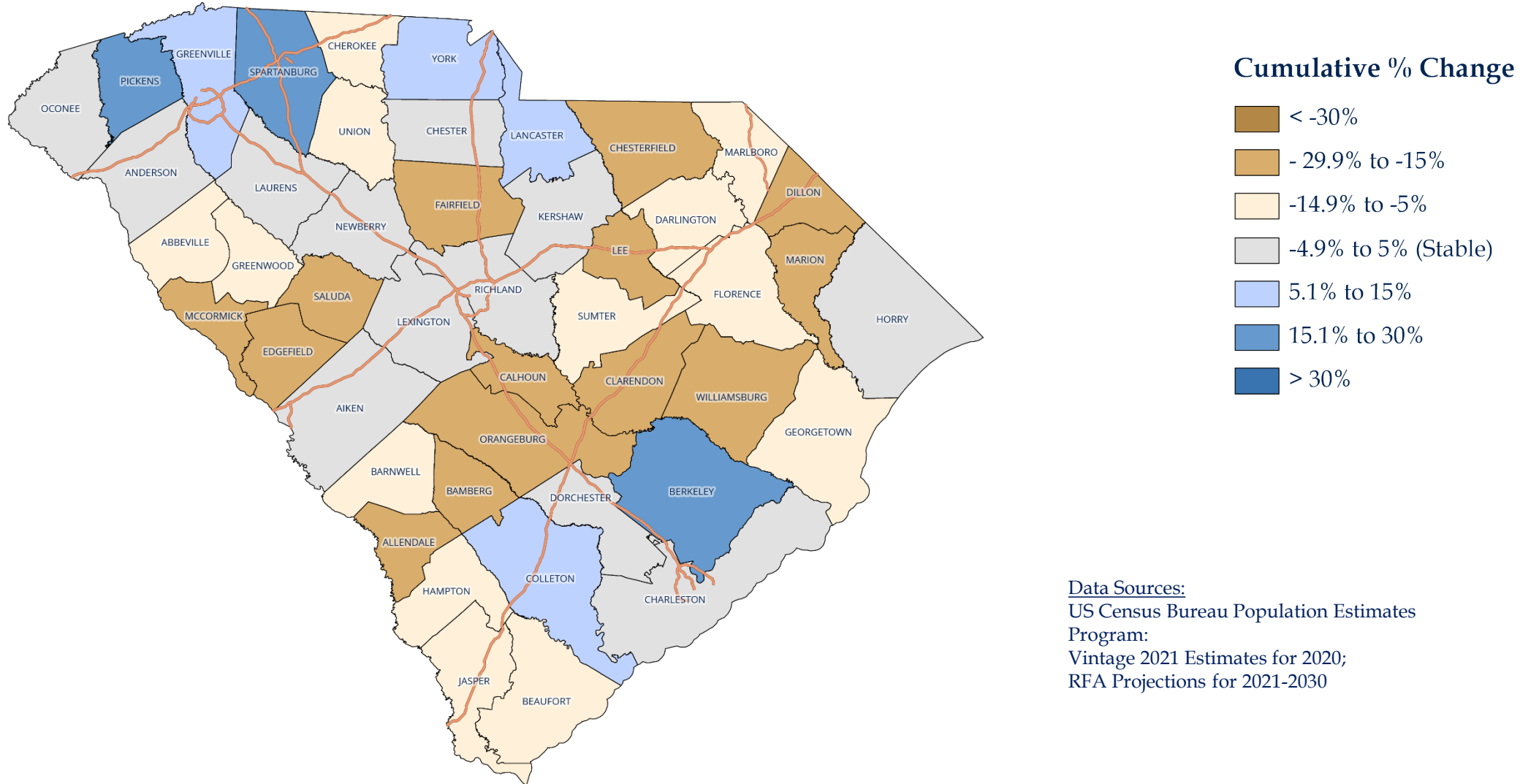
Absent migration, the declining number of births will result in a smaller 0 – 17 population over time

ROLLING 17 YEAR TOTAL OF BIRTHS



# South Carolina Projected Age 0 – 17 Population, 2020 - 2030

## Seven counties are projected to increase in this age group

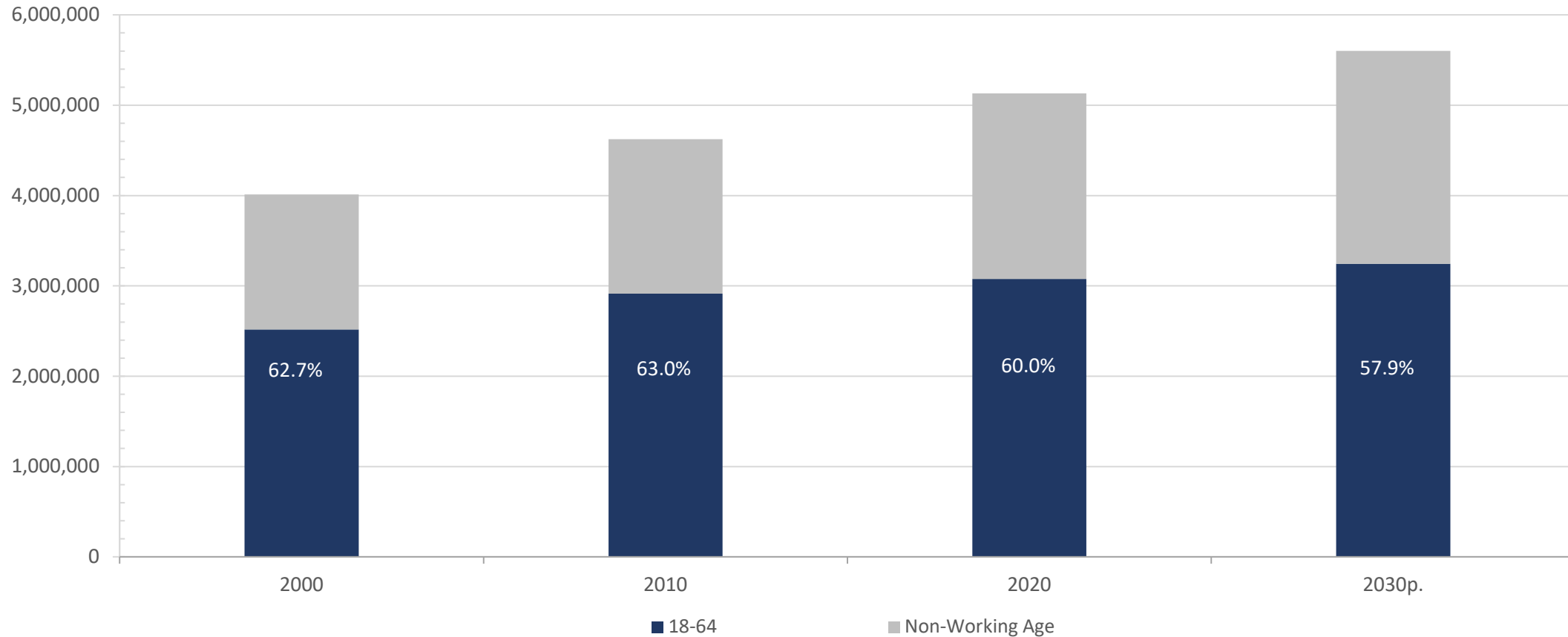


Data Sources:  
 US Census Bureau Population Estimates  
 Program:  
 Vintage 2021 Estimates for 2020;  
 RFA Projections for 2021-2030

# SC Workforce Population, Age 18 - 64

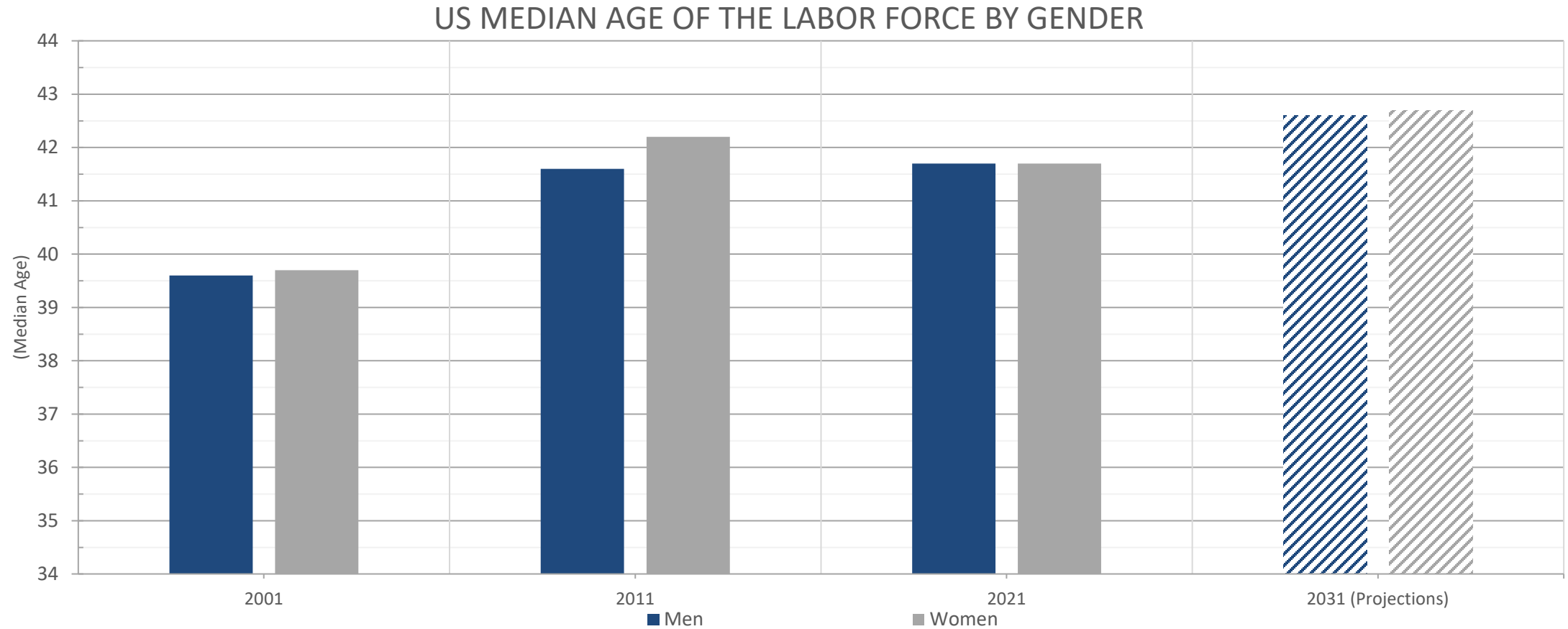
The workforce age population is expected to comprise a smaller percentage of the total SC population; employers may be faced with more demand for goods and services but a smaller pool of workers

WORKING AGE VS TOTAL POPULATION



# US Median Age of the Labor Force

The median age remained almost the same for men but fell for women from 2011 to 2021; both are projected to increase by one year to 42.6 and 42.7, respectively, by 2031

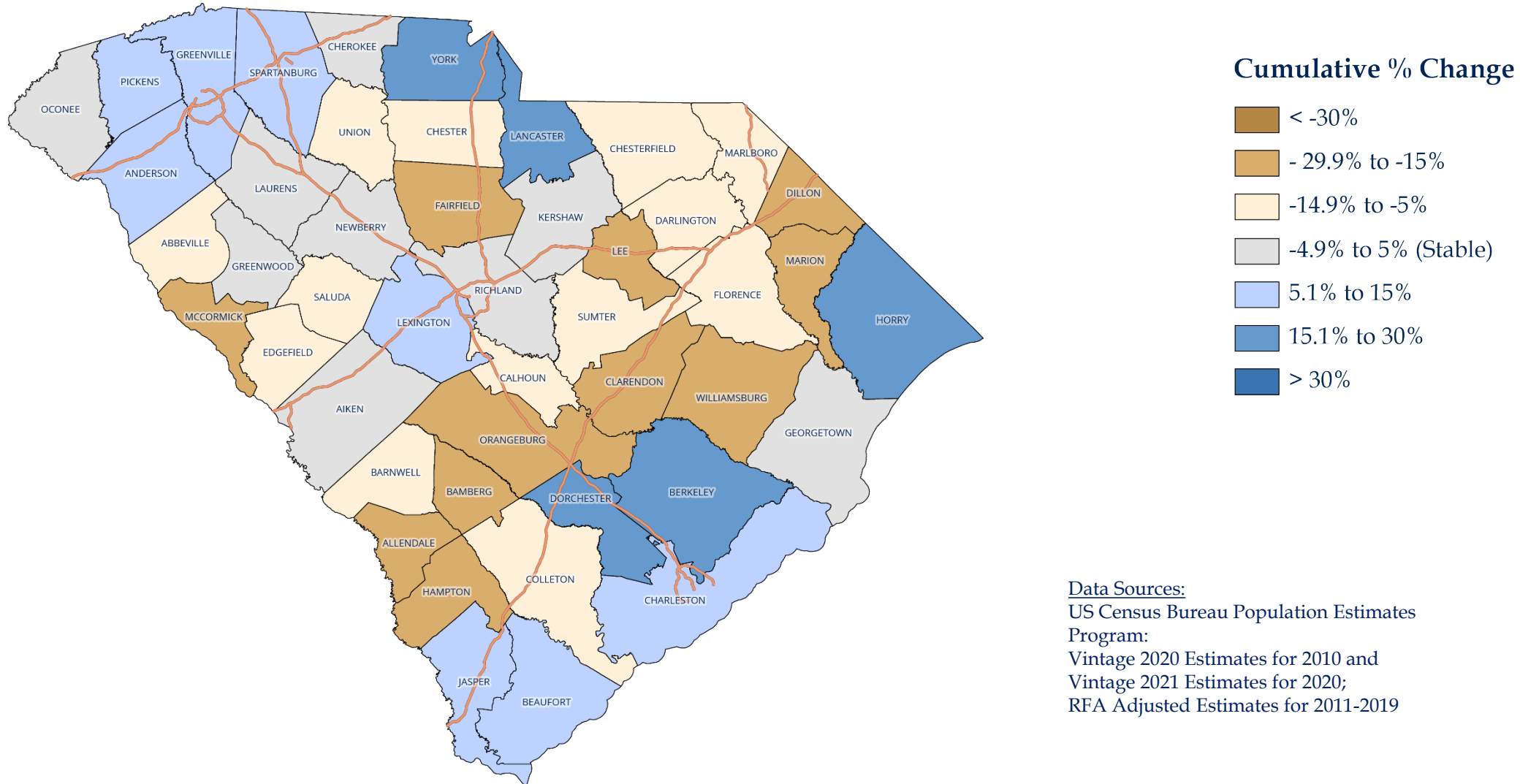


Data Source: U.S. Bureau of Labor Statistics, Employment Projections Program as of 9/8/2022 326A-RFA/lpw/10/25/22



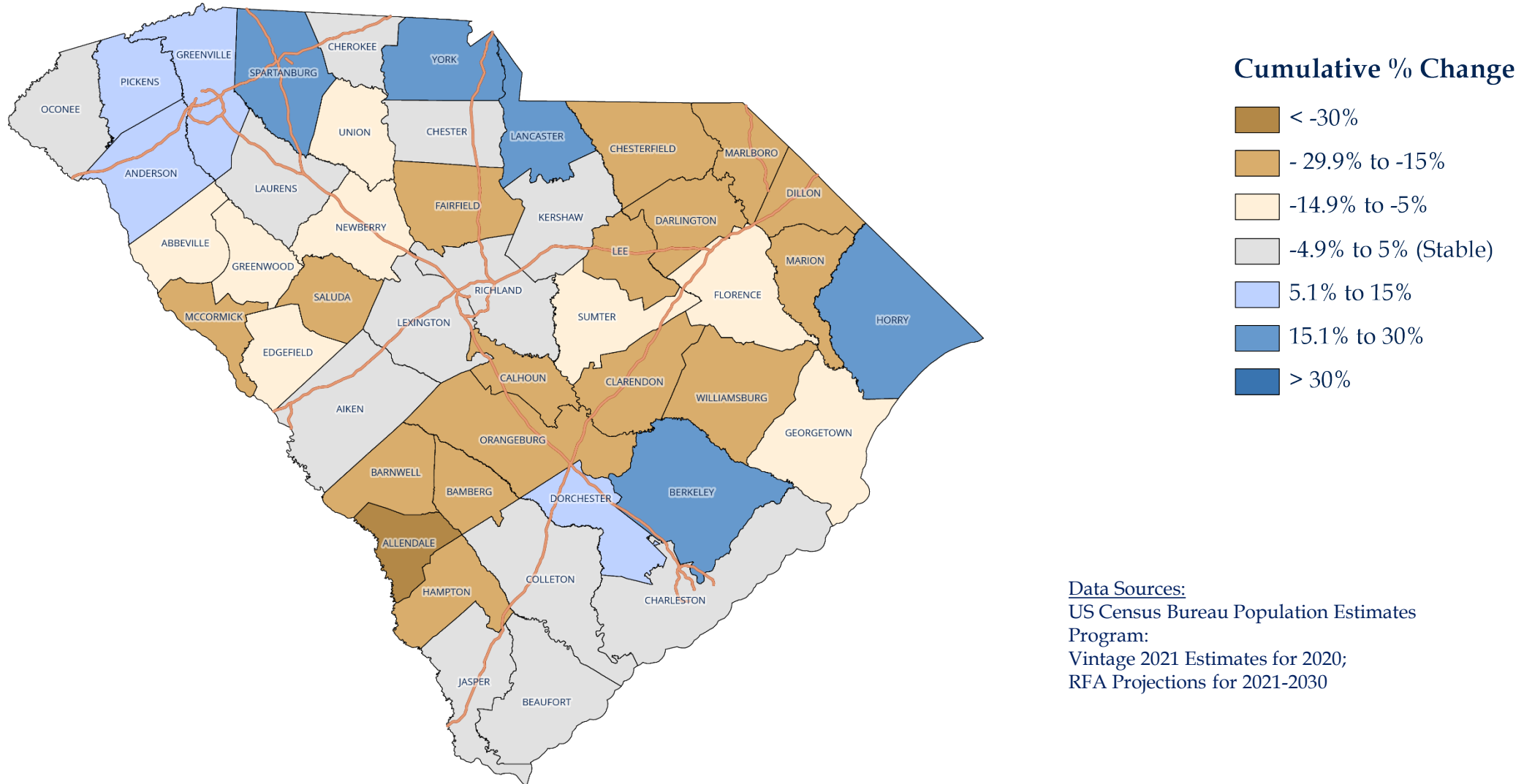
# SC Estimated Workforce Age (18 – 64) Population, 2010 – 2020

## Thirteen counties increased in this age group



# SC Estimated Workforce Age (18 – 64) Population, 2020 – 2030

## Nine counties are projected to increase in this age group

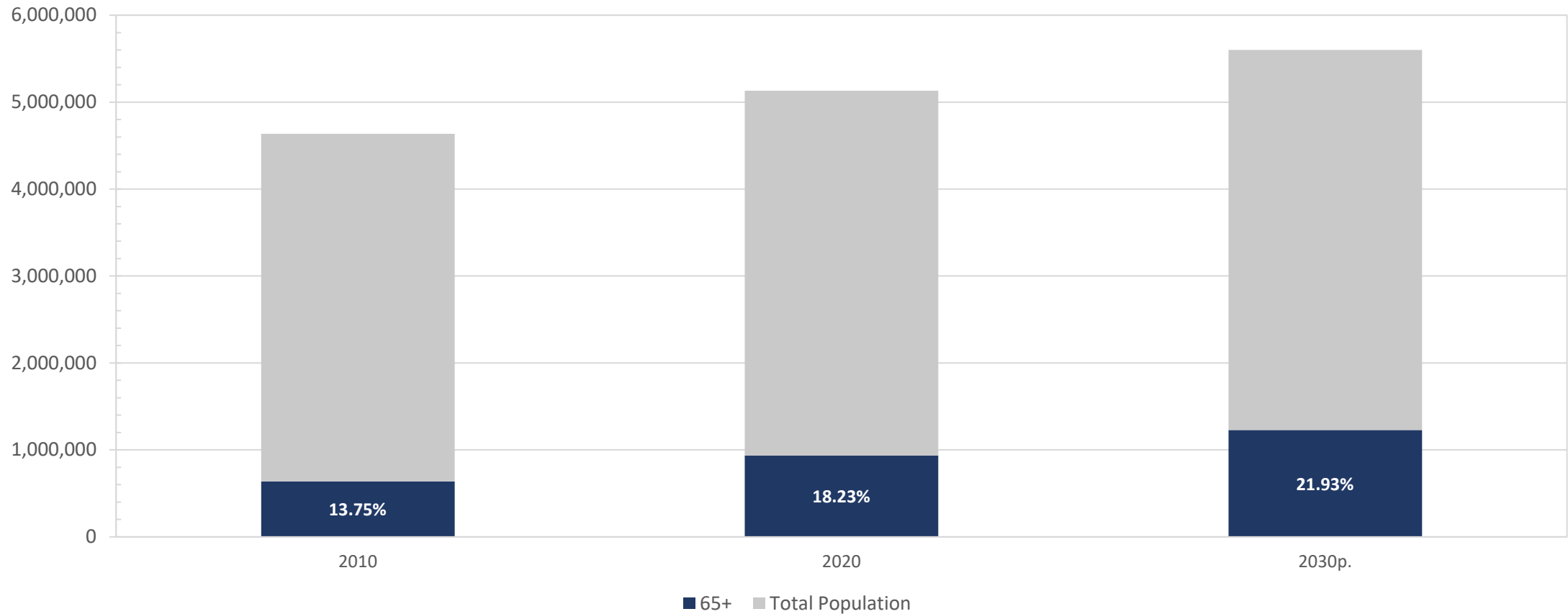


Data Sources:  
 US Census Bureau Population Estimates  
 Program:  
 Vintage 2021 Estimates for 2020;  
 RFA Projections for 2021-2030

# SC Projected Age 65+ Population

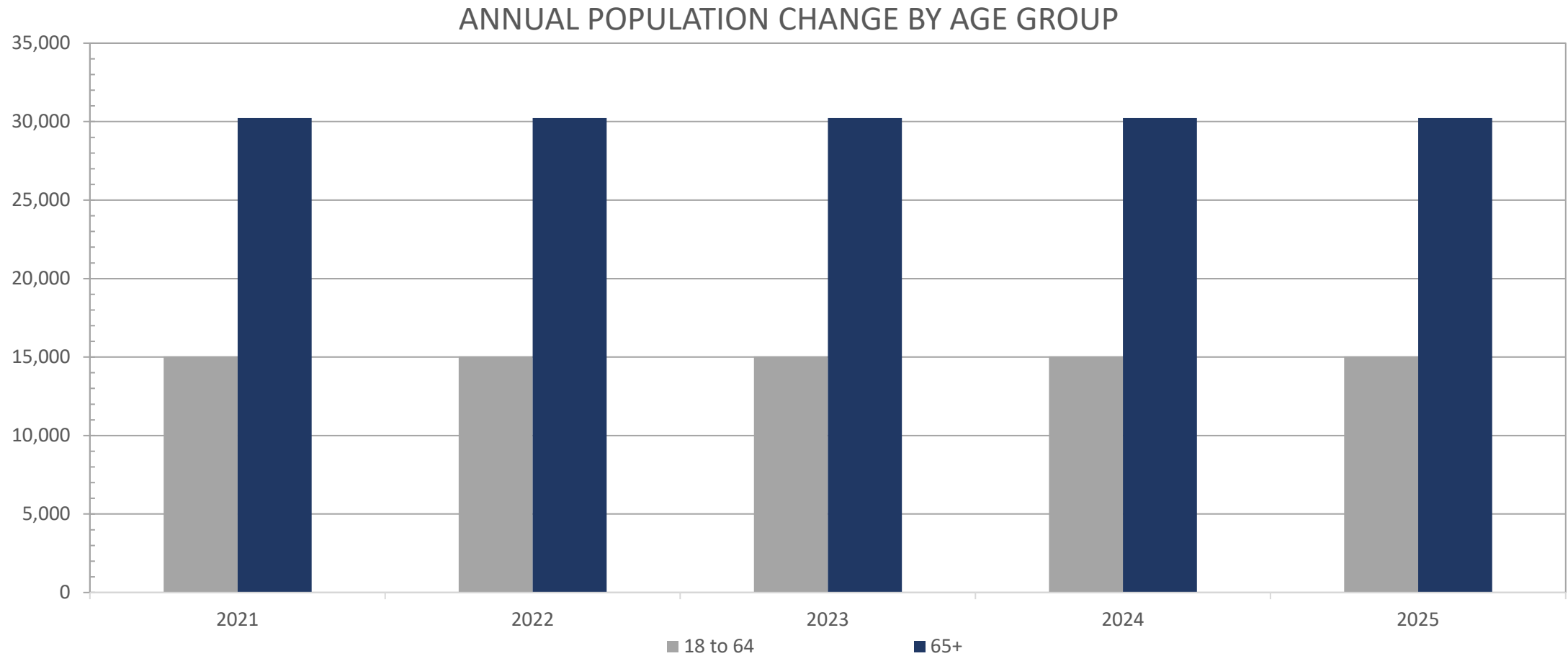
## Projected to increase to approximately 22% of total population by 2030

65+ AS A PERCENT OF TOTAL POPULATION



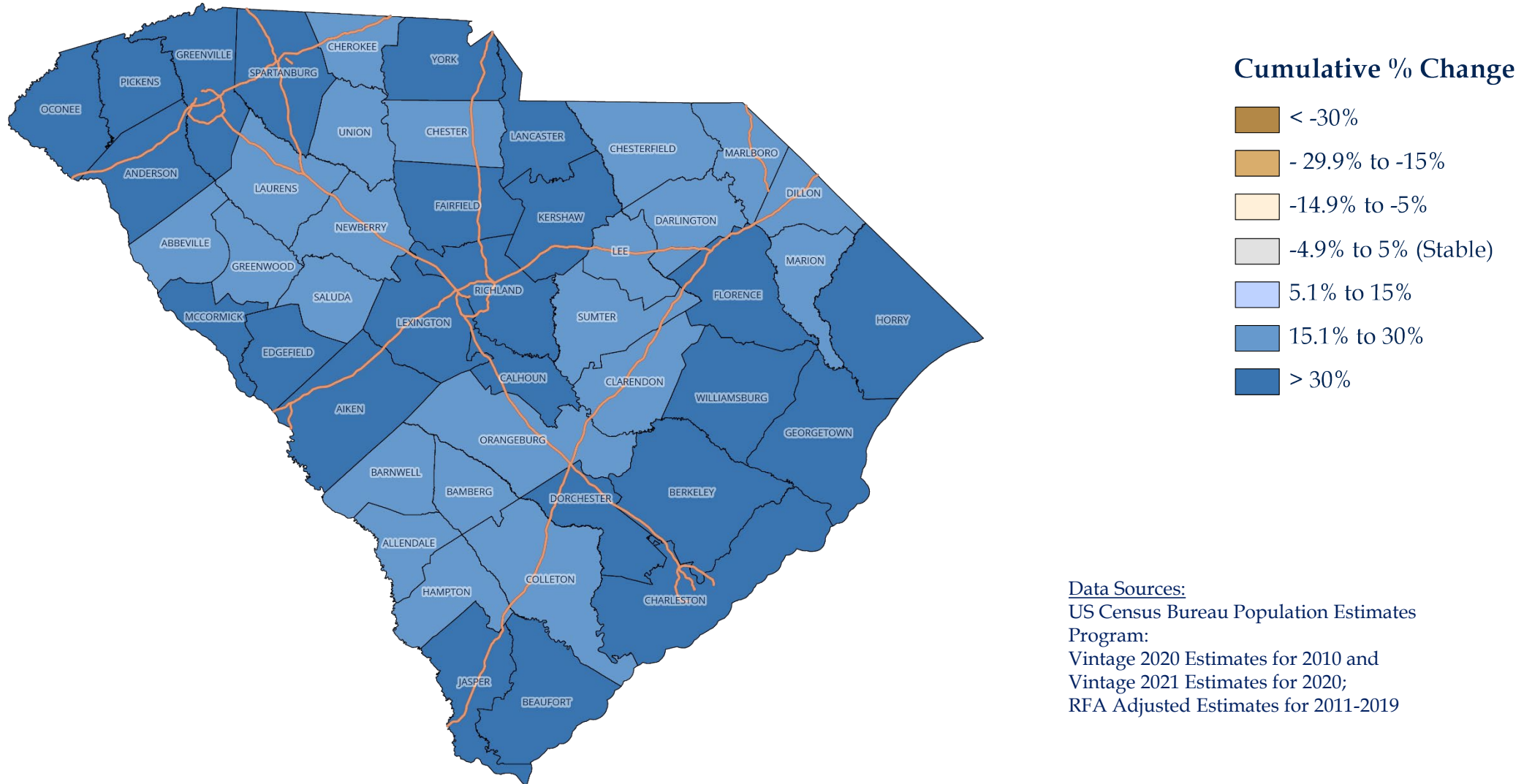
# SC Projected Population Change by Age Group, 2021 – 2025

The growth in the retiree age group is approximately twice that of the workforce age group



# SC Estimated Retirement Age (65+) Population, 2010 - 2020

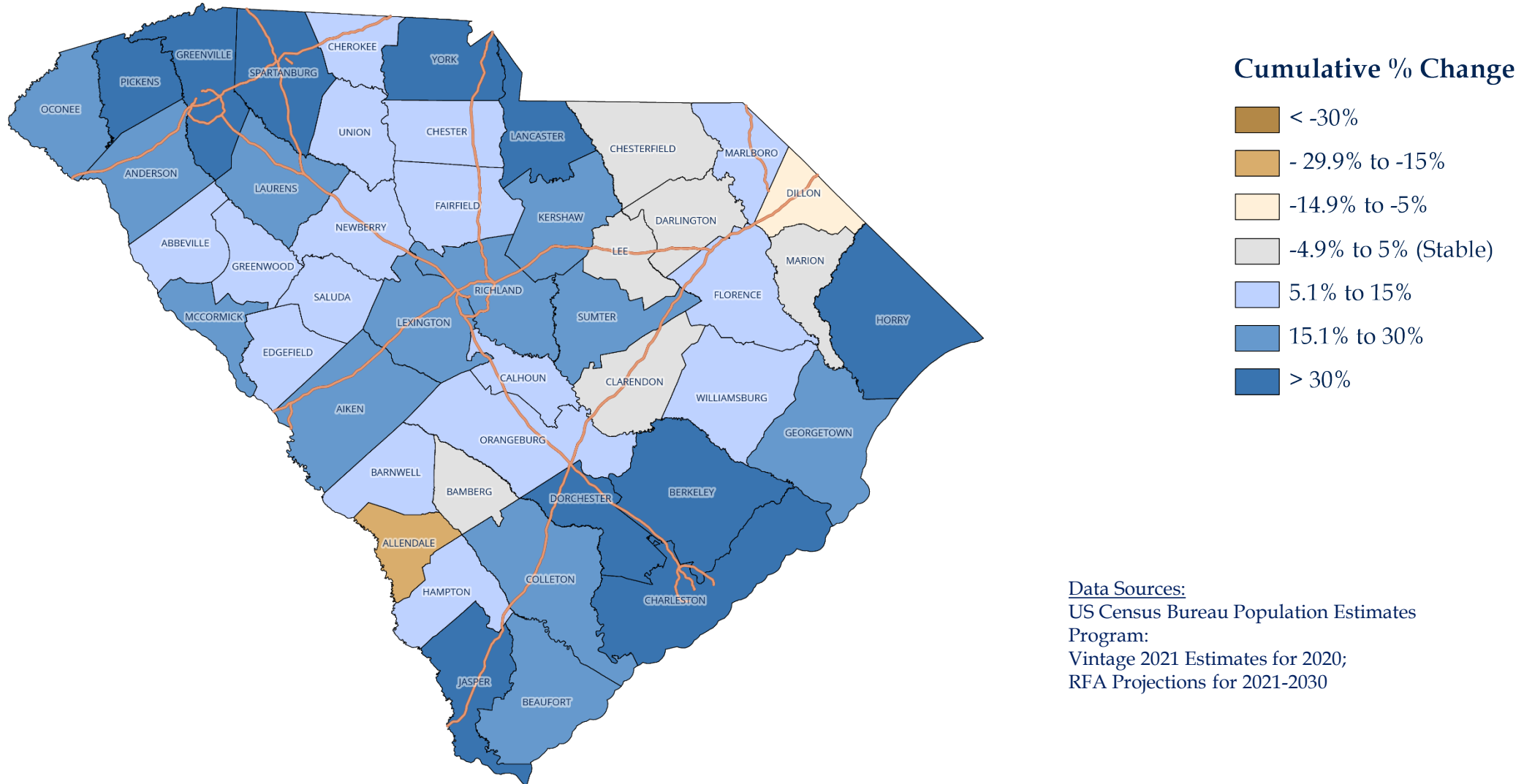
## All counties experienced an increase in this age group



Data Sources:  
 US Census Bureau Population Estimates  
 Program:  
 Vintage 2020 Estimates for 2010 and  
 Vintage 2021 Estimates for 2020;  
 RFA Adjusted Estimates for 2011-2019

# SC Estimated Retirement Age (65+) Population, 2020 - 2030

## Thirty-eight counties projected to increase in this age group



Data Sources:  
 US Census Bureau Population Estimates  
 Program:  
 Vintage 2021 Estimates for 2020;  
 RFA Projections for 2021-2030

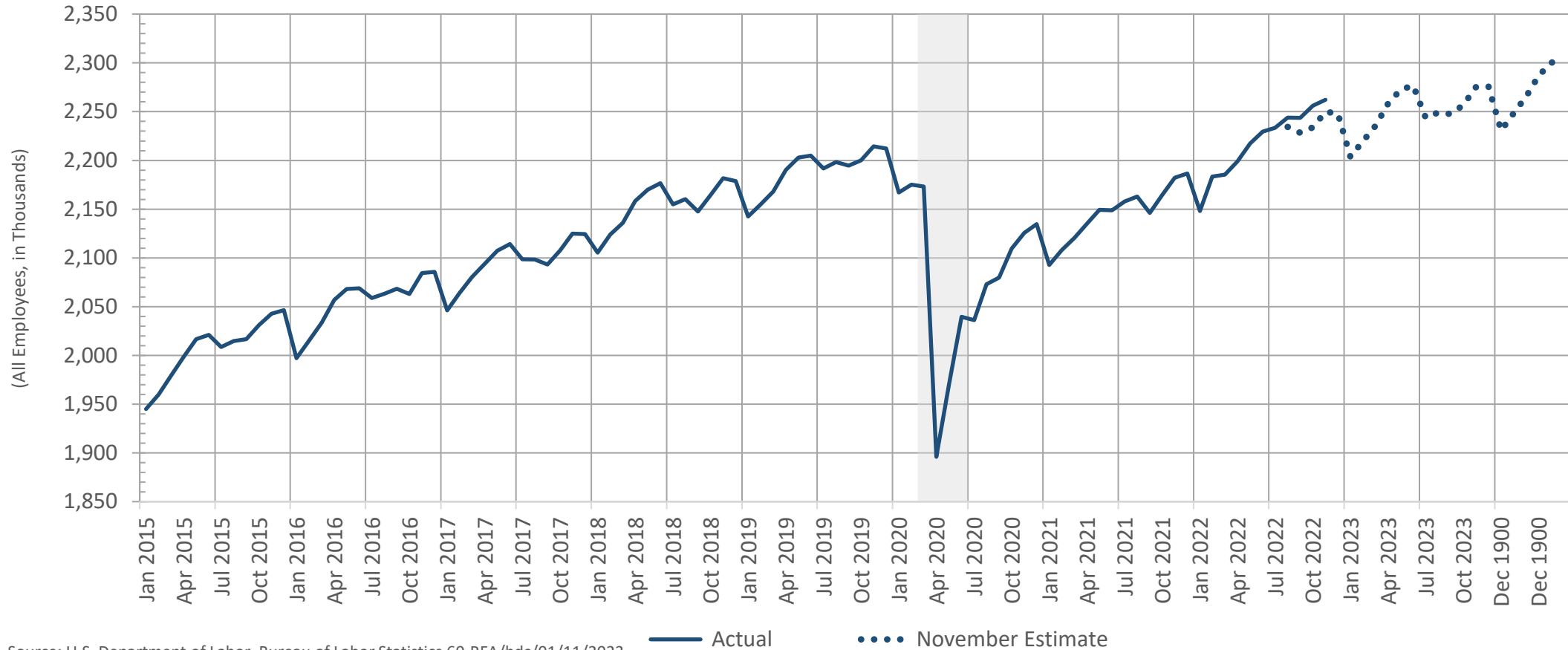
# Economy and Workforce



# SC Employment

Employment is above the forecast of 2.8% for FY 2022-23 and grew 3.3% in December over last year

### TOTAL NONFARM EMPLOYMENT IN SOUTH CAROLINA



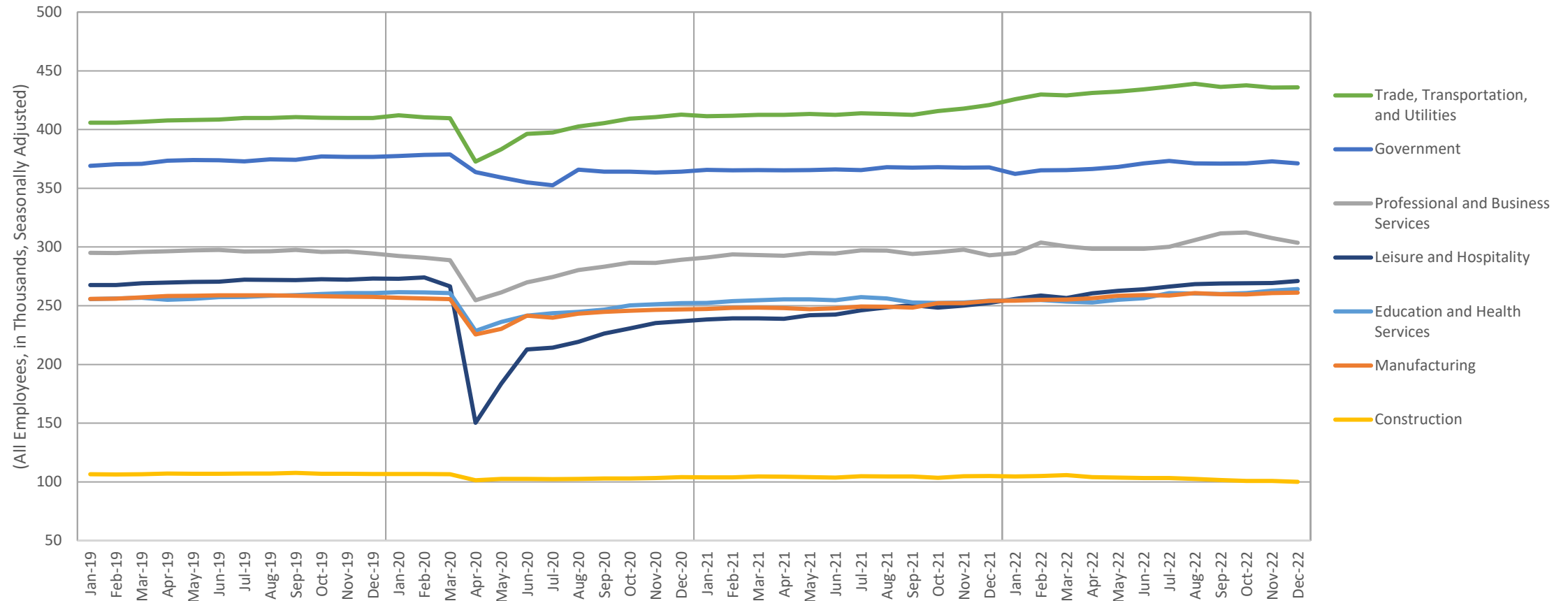
Source: U.S. Department of Labor, Bureau of Labor Statistics 60-RFA/bdc/01/11/2023



# SC Employment by Industry

Not all sectors have recovered to pre-pandemic employment levels; government is below pre-pandemic levels

SOUTH CAROLINA EMPLOYMENT BY INDUSTRY SECTOR



Source: U.S. Bureau of Labor Statistics 325-RFA/lhj/2/3/2023

# Unemployment Rate

SC unemployment rate was 3.0% in December 2022; the US rate climbed to 3.9% in January 2023



Source: U.S. Department of Commerce, Bureau of Labor Statistics 129--RFA/lhj/02/07/2023

# US Unemployed Persons Per Job Opening

The US labor market remains at historic levels of tightness as employers compete over a smaller pool of potential workers



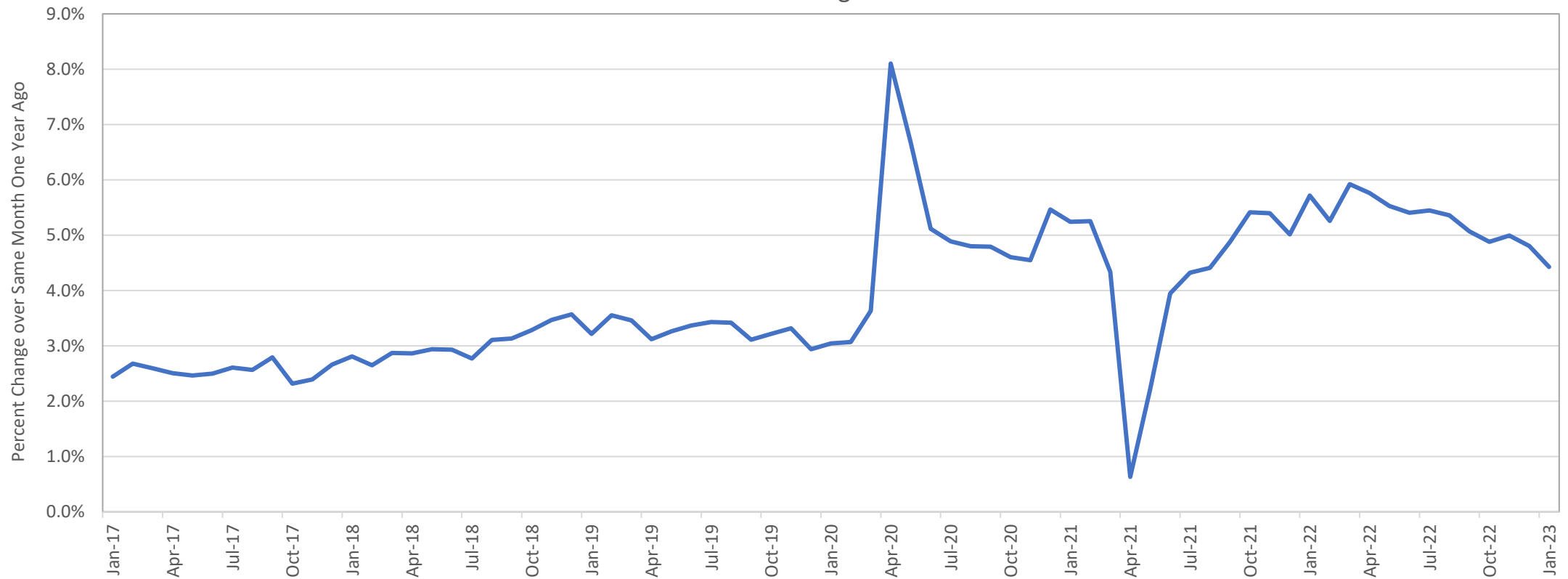
Source: U.S. Bureau of Labor Statistics, CPS and JOLTS; 259A - RFA/lhj/01/24/23



# US Wage Growth – Percent Change

Wage growth continues to slow, declining to 4.4% in January 2023 but remains above historical levels

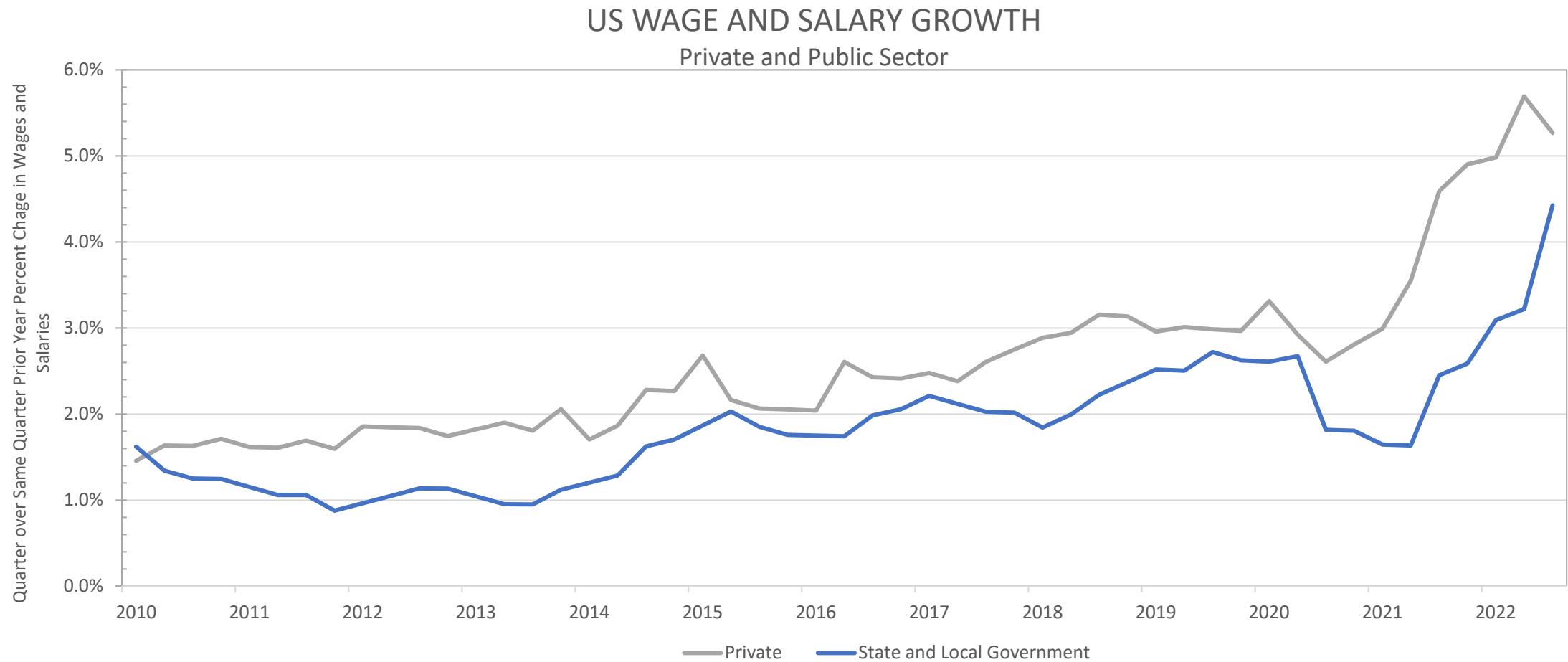
US AVERAGE HOURLY EARNINGS OF ALL EMPLOYEES, TOTAL PRIVATE  
Percent Change



Source: U.S. Bureau of Labor Statistics, Average Hourly Earnings of All Employees, retrieved from FRED 309D - RFA/lhj/02/03/2023

# US Wage and Salary Growth

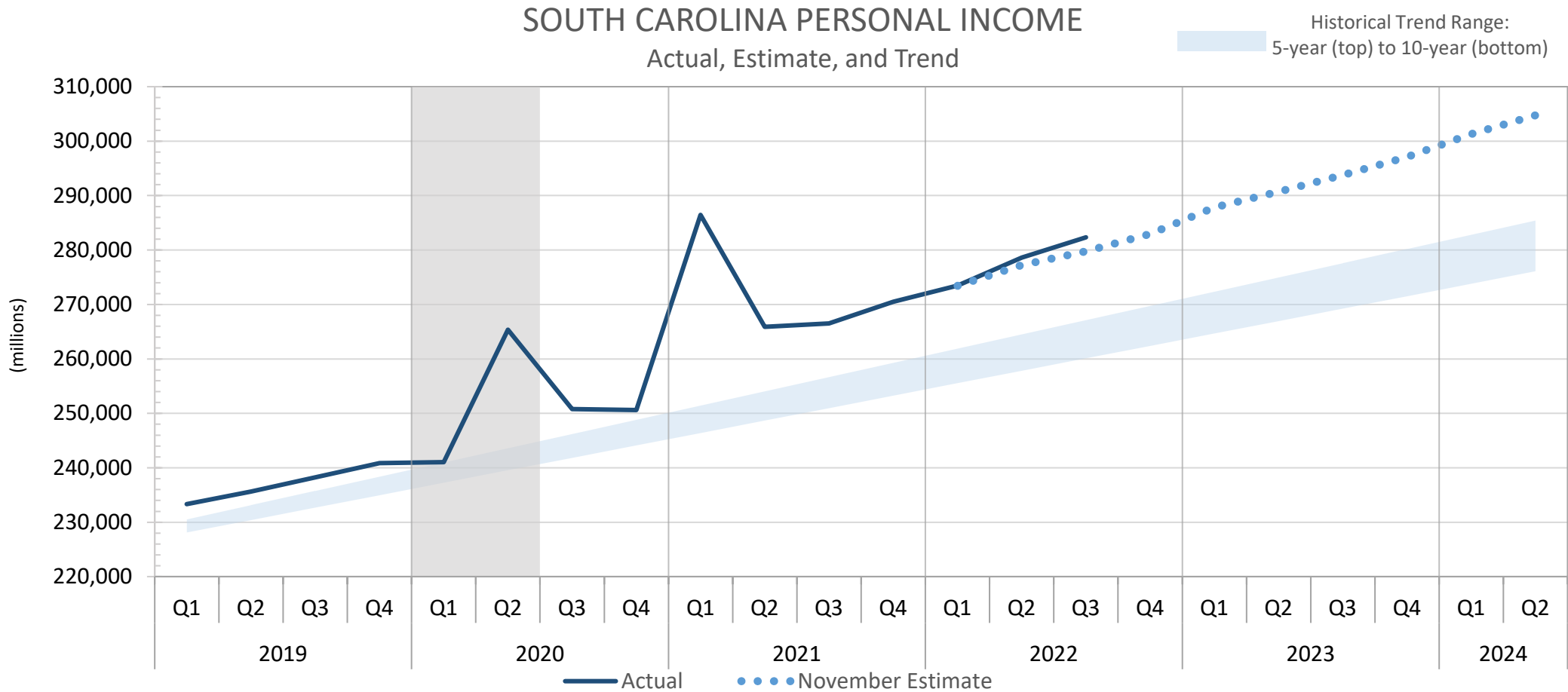
Private sector wage growth has far outpaced the public sector since the pandemic



Source: U.S. Bureau of Labor Statistics, Employment Cost Index: Wages and Salaries: Private Industry Workers, Government Workers 318-RFA/lhj/01/2023

# SC Personal Income

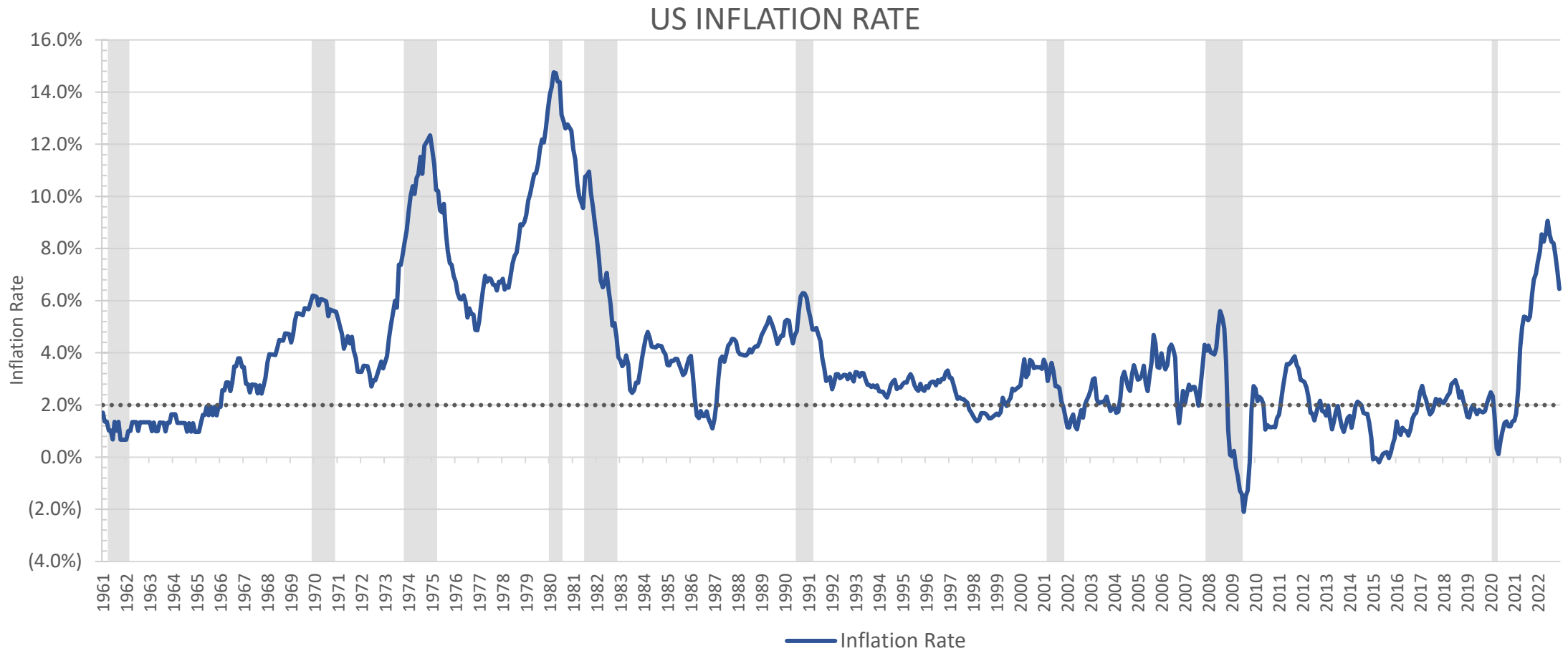
Actual 2022 Q3 personal income was slightly above estimated, driven by higher-than-expected wage growth (9.1% forecasted, 10.4% actual)



Data Source: U.S. Department of Commerce, Bureau of Economic Analysis; S.C. Board of Economic Advisors-RFA/bdc/12/30/2022

# US Inflation – History

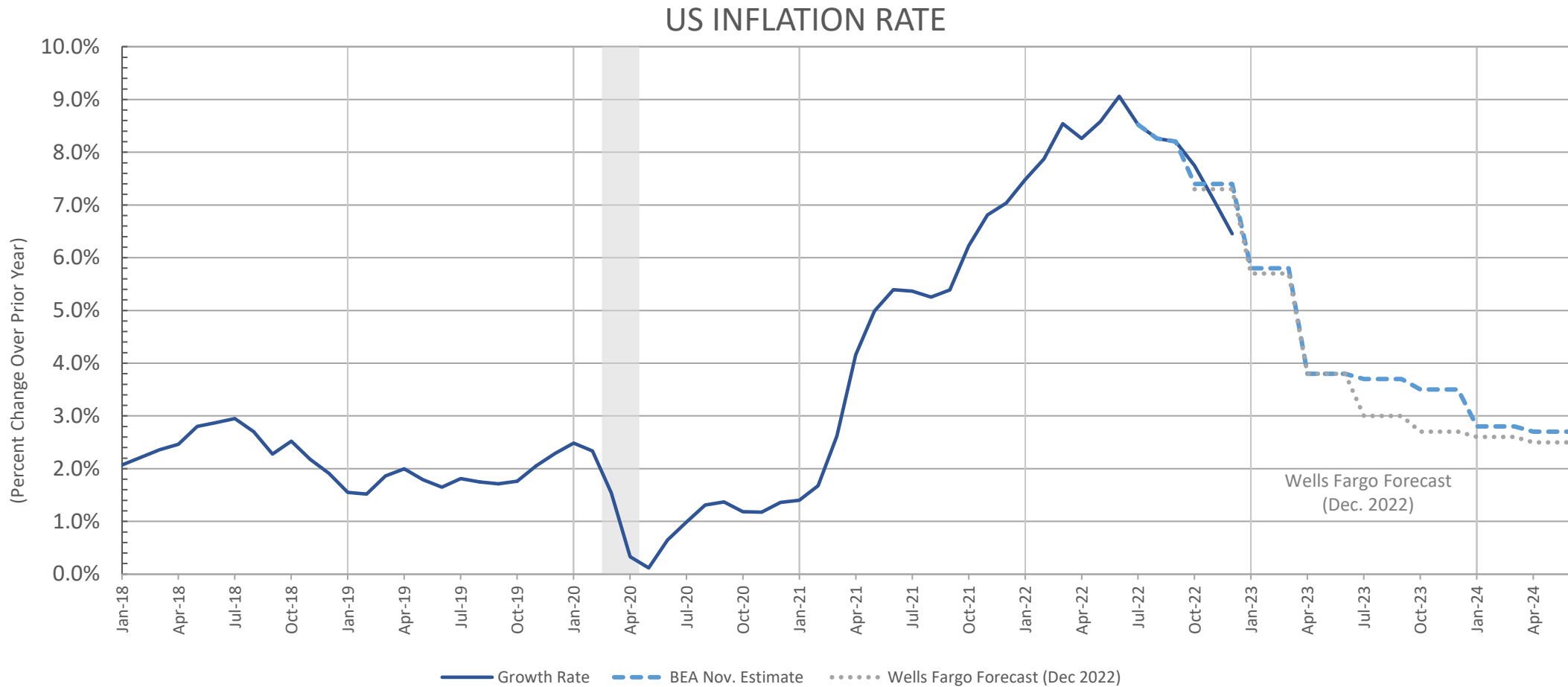
Inflation reached a high of 9.1% in 2022; inflation has not been over 9% since 1981



Source: U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers in U.S. City Average; RFA/316/lhj/02/07/2023

# US Inflation - Forecast

Inflation remains elevated but is trending down and is slightly below expectations

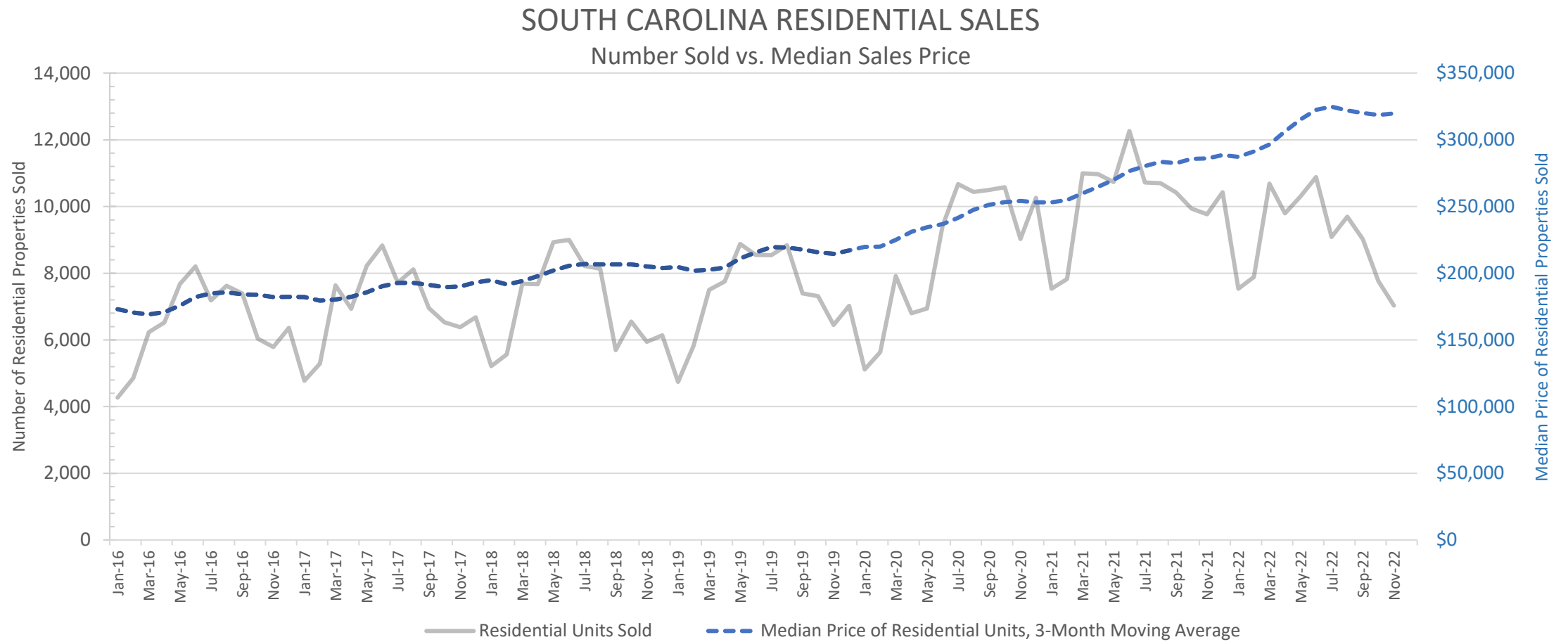


Source: U.S. Department of Labor, Bureau of Labor Statistics; Wells Fargo US Economic Outlook 216 - RFA/lhj/01/12/2023



# South Carolina Residential Real Estate

Total residential home sales have declined while price growth has flattened



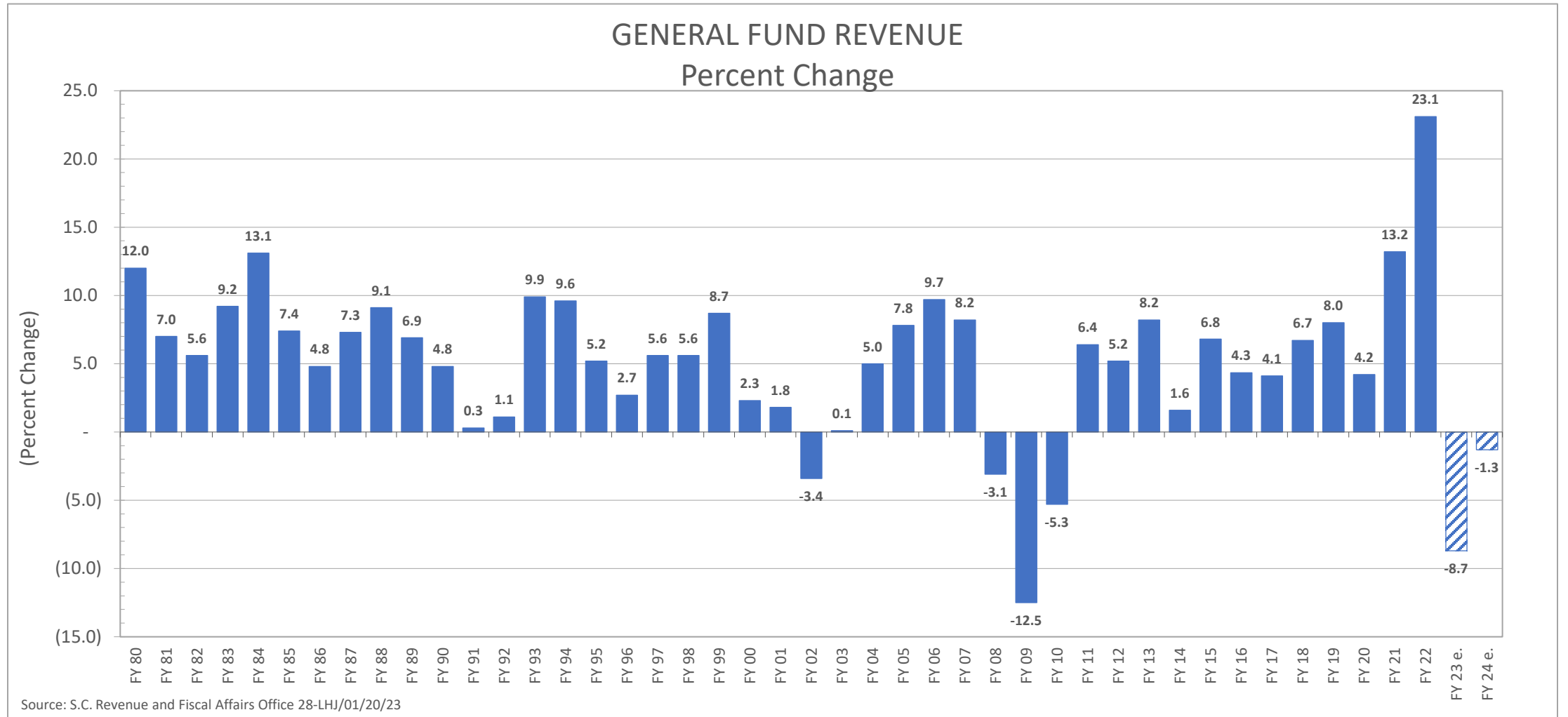
Source: S.C. Realtors. Market Activity for South Carolina 276-RFA/lhi/1/11/2023

# State Revenues and the Budget



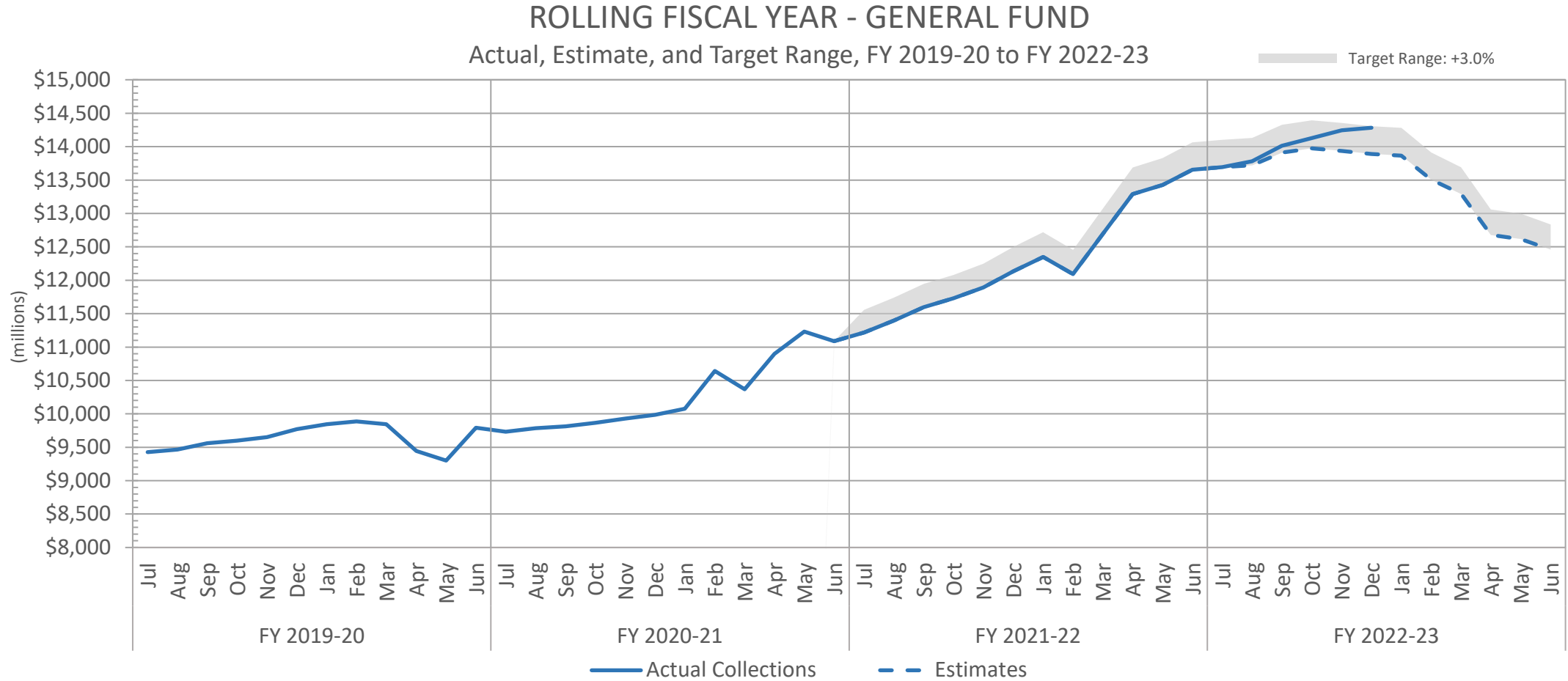
# General Fund Revenue Growth

FY 22 revenue grew 23.1% on top of 13.2% growth in FY 21



# General Fund Revenue – Actual vs. November Estimate

Collections are **10.1%** above last year and **\$391.0 million** ahead of the estimate

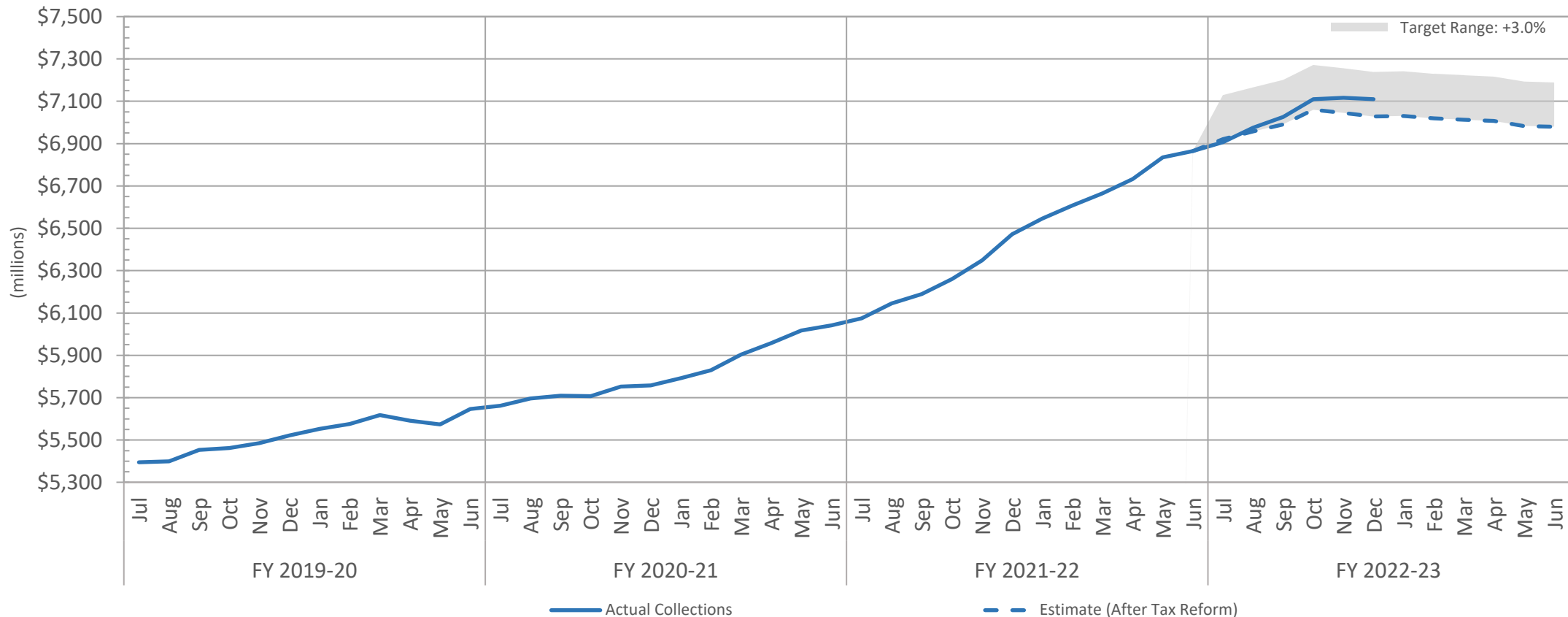


# Withholdings - Actual vs. Estimate

As expected, growth in Withholdings has started to slow but not as quickly as predicted; collections remain \$81.9 million above estimates

## ROLLING FISCAL YEAR - INDIVIDUAL INCOME WITHHOLDINGS

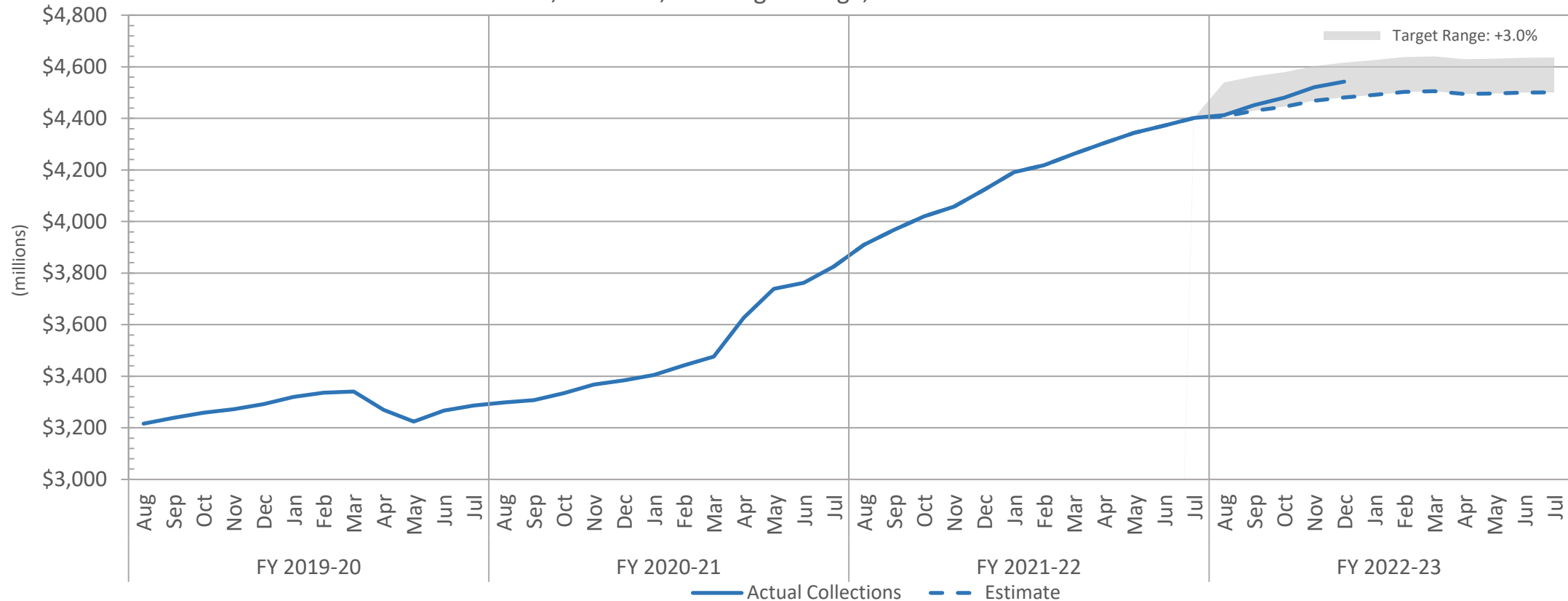
Actual, Estimate, and Target Range, FY 2019-20 to FY 2022-23



# Sales Tax - Actual vs. Estimate

Collections are \$61.5 million above the estimate fiscal year-to-date; growth slowed to 6.3 percent for December

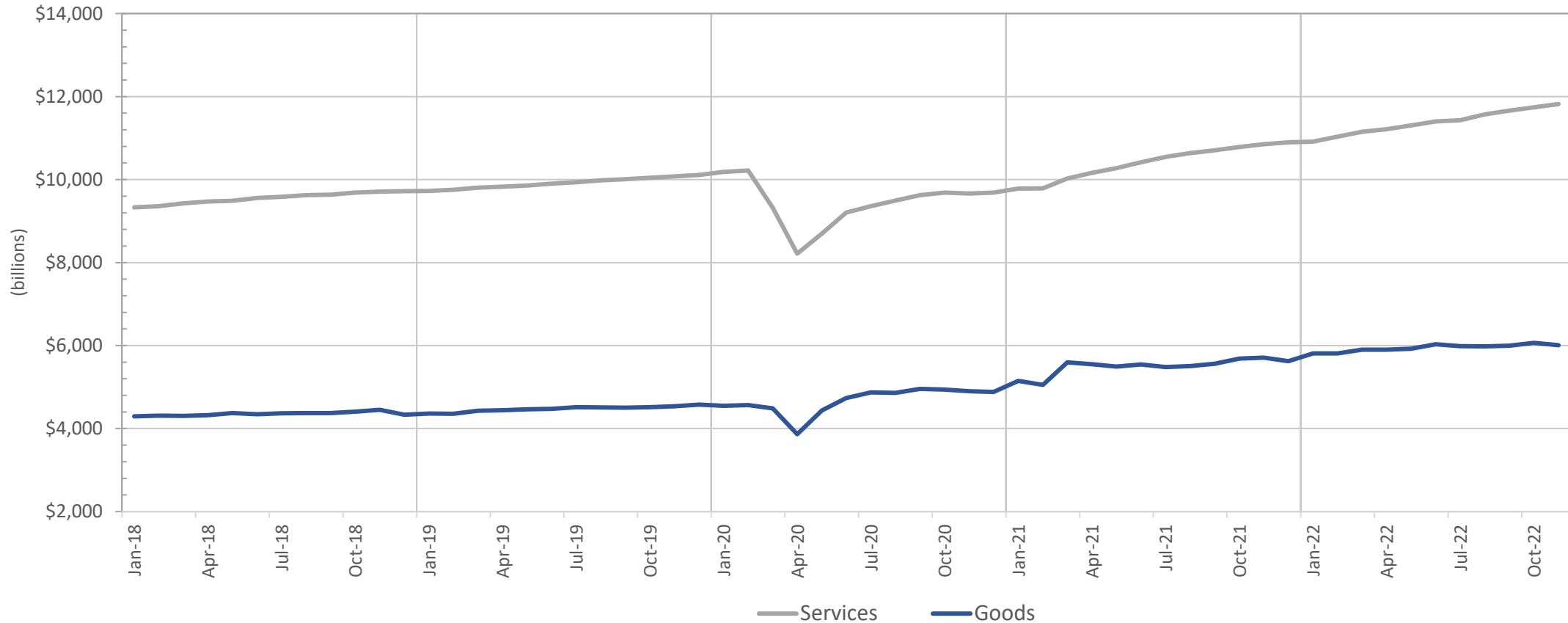
ROLLING FISCAL YEAR - SALES TAX  
Actual, Estimate, and Target Range, FY 2019-20 to FY 2022-23



# U.S. Consumer Spending

Consumers are spending more on services while purchases of goods have flattened out

US PERSONAL CONSUMPTION EXPENDITURES

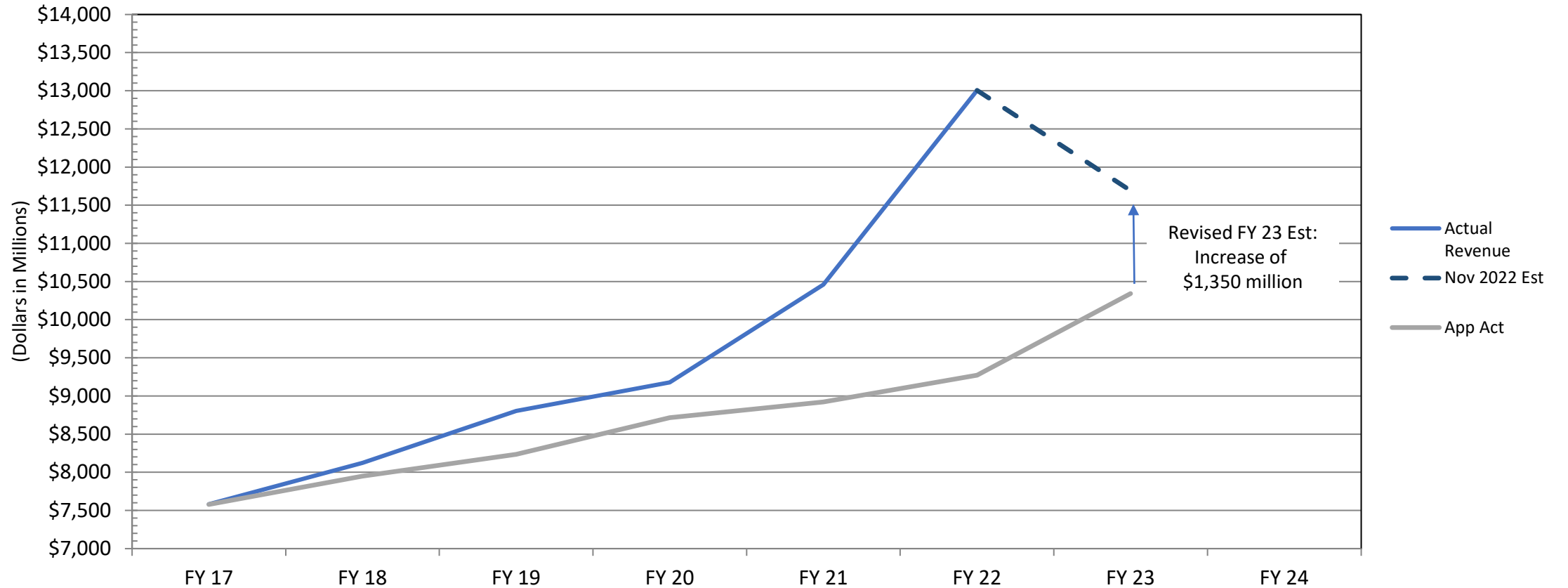


Source: U.S. Bureau of Economic Analysis, Personal Consumption Expenditures: Goods [DGDSRC1], retrieved from FRED, Federal Reserve Bank of St. Louis; 299-RFA/lhj/1/11/2023

# General Fund Revenue – FY 2022-23 Budget

## Net budgetary revenue

FY 2022-23 BUDGET CATCH-UP, NOVEMBER 2022

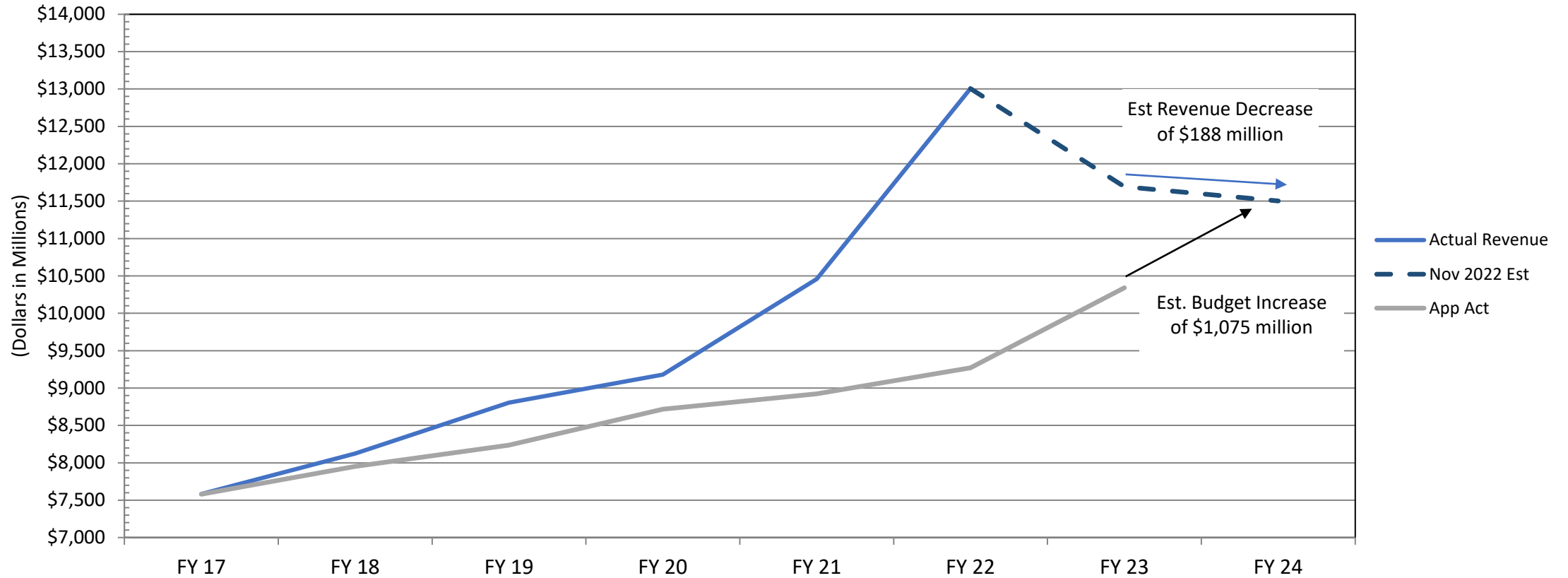




# General Fund Revenue – FY 2023-24 Budget

## Net budgetary revenue

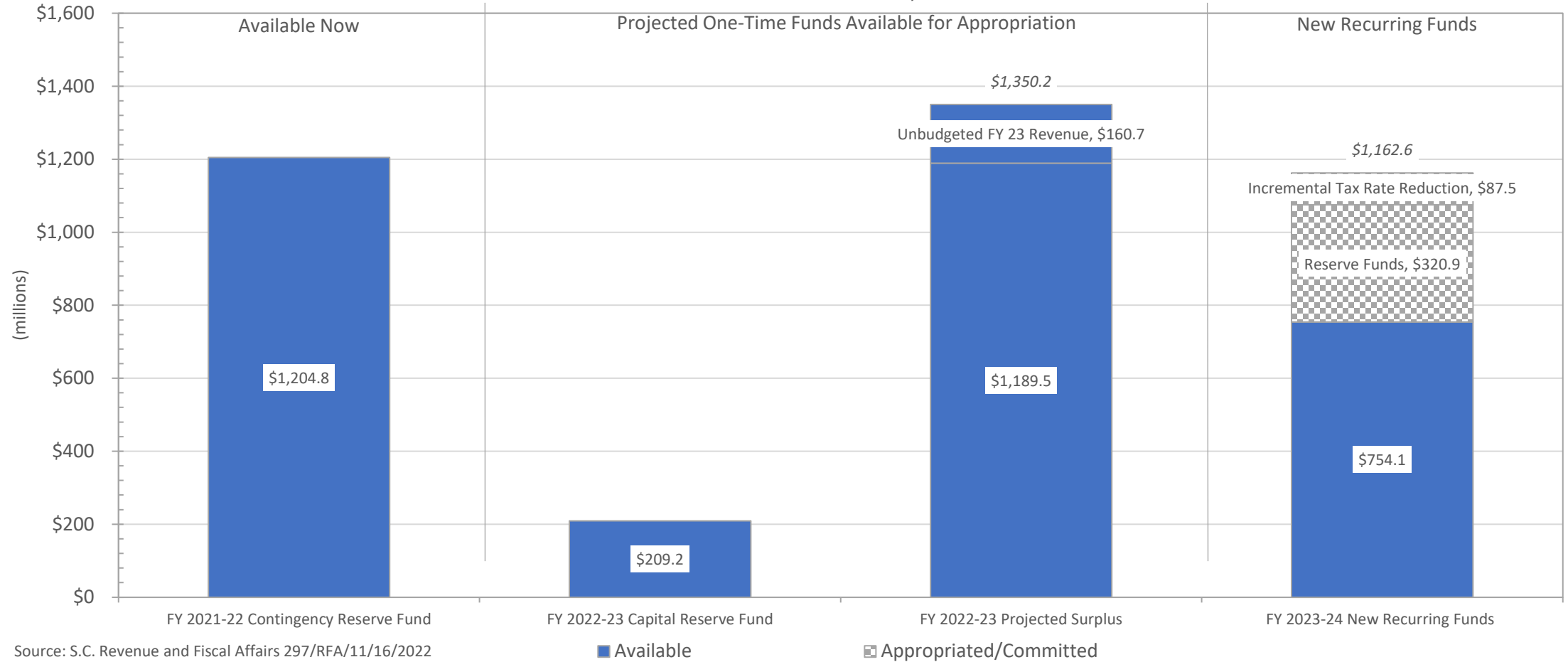
FY 2023-24 BUDGET OUTLOOK, NOVEMBER 2022



Note: Includes anticipated incremental income tax rate reduction for tax year 2023

# FY 2023-24 Available Funds

AVAILABLE FUNDS - FY 2023-24 BUDGET PROCESS  
as of November 16, 2022



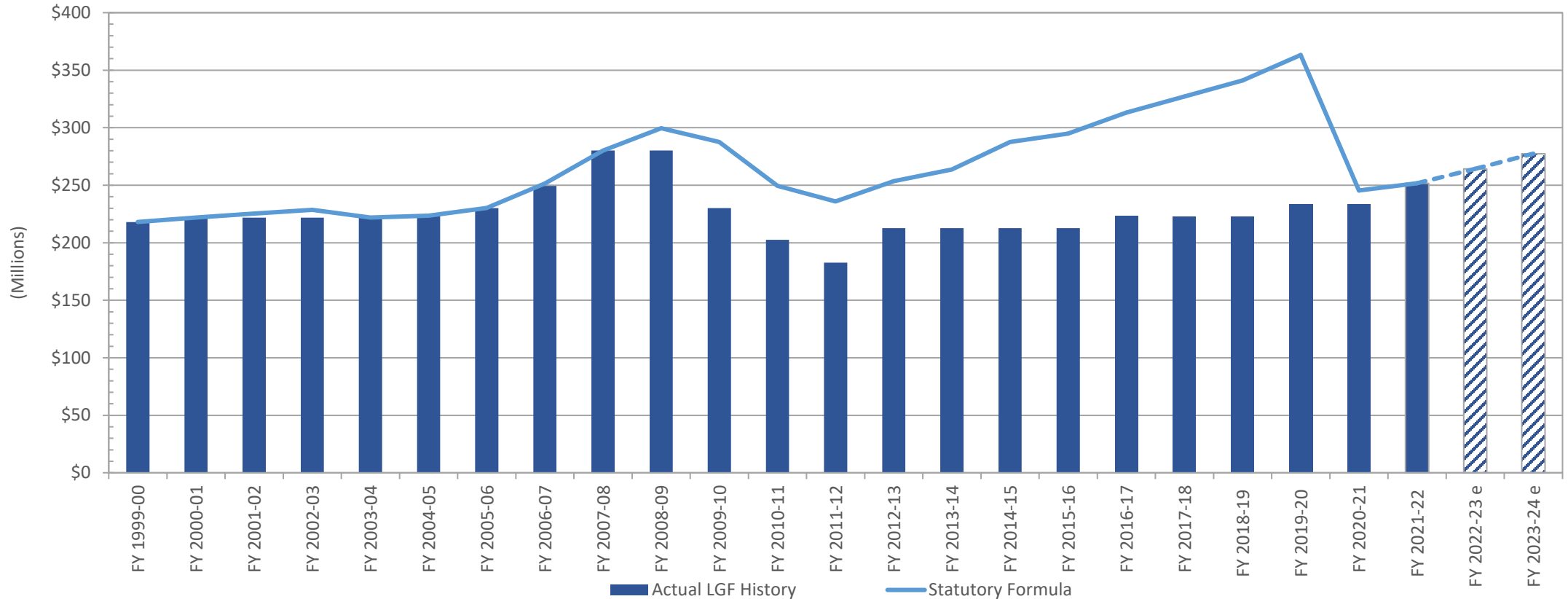
# Local Government Fund and Rural Stabilization Fund



# Local Government Fund

New formula increases funding at growth in the General Fund over the budget base

LOCAL GOVERNMENT FUND  
Comparison of Actual Funding to Statutory Formula



Act 84 of 2019 changed the Local Government Fund formula beginning in FY 2020-21.  
Source: S.C. Revenue and Fiscal Affairs Office - 193/lpw/11/16/22

## Rural County Stabilization Fund

- Proviso 113.9 of the FY 2022-23 Appropriations Act
- Allocates \$12 million to counties that have population growth less than 5.35% from the 2010 to 2020 Census as follows:
  - A baseline of \$300,000 to each eligible county;
  - An additional \$100,000 to eligible counties with a population between 50,000 and 99,999; and
  - An additional \$200,000 to eligible counties with a population of more than 100,000
  - After disbursement of funds, any monies remaining are distributed to each eligible county on a pro rata basis.
- 28 counties were deemed eligible

# Property Tax Issues



# Millage Rate Increase Limitation

## Inflation component

- The inflation component for the millage rate increase limitation for FY 2023-24 is 8.00 percent
- Census Bureau Population Release Dates:
  - Counties and School Districts – March 2023
  - Incorporated Places (Municipalities) – May 2023

# Property Tax and Fiscal Impact Statements

## Information Requests

- Act 236 of 2022
- Section 12-37-220(B)(14)  
all farm buildings and agricultural structures owned by a producer in this State used to house livestock, poultry, crops, farm equipment, or farm supplies and all farm machinery and equipment including self-propelled farm machinery and equipment except for motor vehicles licensed for use on the highways. For the purpose of this section 'self-propelled farm machinery and equipment' means farm machinery or equipment which contains within itself the means for its own locomotion. For purposes of this item, farm equipment includes greenhouses



# Homestead Exemption

## Excess revenue in the Homestead Exemption Fund

- Section 11-11-156(C) - Any excess revenue in the Homestead Exemption Fund after fully funding the Tier III reimbursements will be remitted to the counties in the following year to be used as a uniform credit for all owner-occupied properties
- The distribution will be on a pro-rata basis for each county's population relative to statewide population

# Homestead Exemption

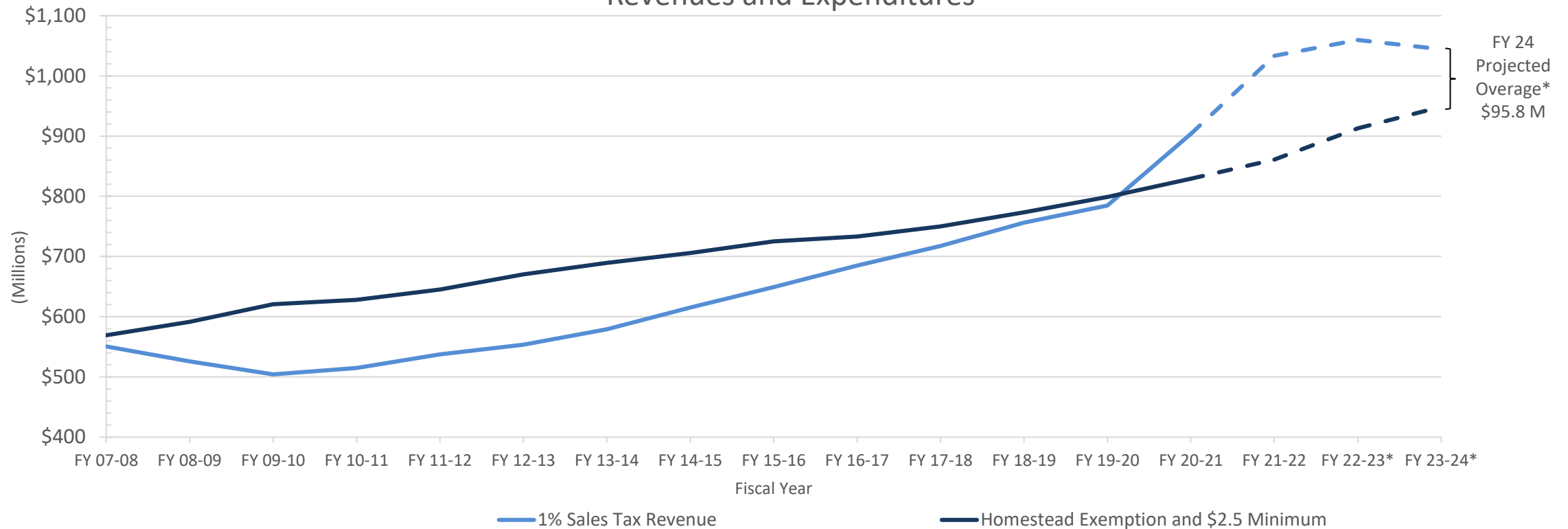
## Calculating the credit

- Section 11-11-156(C) - The credit is an amount determined by dividing the total estimated revenues credited to the county during the applicable fiscal year by the number of parcels in the county eligible for the credit. Credit that exceeds the tax due on a parcel must be reallocated in a uniform amount to remaining parcels with a property tax liability for county operations....
  - This is the current guidance on how to calculate the credit

# Homestead Exemption

## Sales tax growth has outpaced expenditures

HOMESTEAD EXEMPTION FUND (TIER III)  
Revenues and Expenditures



\*Does not include fund balance or appropriations.

Note: Tier III Expenditure includes \$2.5M minimum disbursements and lease purchase lawsuit revisions. Revenue and expenditure projection as of 11/16/2022 BEA forecast.

# Homestead Exemption

## Excess revenue in the Homestead Exemption Fund

- The distribution would be significantly higher in the first year as excess revenue has accrued over the past few years.

| <b>Estimated County Tier III Revenue Distribution</b> |                            |   |  |
|---|----------------------------|---|--|
|   | Total Statewide Remittance | County Remittance Range (based on population) | Owner Occupied Property Tax Credit Range |
| FY 2022-23  | \$355,993,733              | \$538,925 - \$36,611,897                      | \$198 - \$346                            |
| FY 2023-24  | \$146,779,256              | \$222,203 - \$15,095,398                      | \$81 - \$143                             |
| FY 2024-25  | \$95,836,240               | \$145,083 - \$9,856,203                       | \$53 - \$93                              |

*Based on 2021 Census Bureau Population Estimates  
Tier III Revenue Estimate as of November 10, 2022, BEA forecast*

# Homestead Exemption

## Revenue remittance suspension

- Proviso 117.186 for FY 2022-23 suspends Section 11-11-156(C)
- This effectively allows the excess revenue to remain in the Homestead Exemption Fund
- Counties will not have to implement the owner-occupied property tax credit so long as the proviso remains in the budget
- Once the proviso is removed from the budget, the first remittance may be significantly larger than in future years due to the accruing balance in the Homestead Exemption Fund.

## Manufacturers Valuation Exemption

42.8571 percent of the value of the property is exempt

- The Comprehensive Tax Cut Act of 2022 increased the manufacturing property tax exemption to 42.8571 percent of the appraised value. Essentially, this exemption lowers the assessment ratio from 10.5 percent to 6 percent.

## Manufacturers Valuation Exemption

**\$170,000,000 reimbursement limit**

- In any year that the reimbursements are projected by RFA to exceed the \$170,000,000 limit, the exemption amount will be proportionally reduced so as not to exceed the limit.
- Based on RFA's current projections, the reimbursement projection may exceed the cap beginning in FY 2024-25.

# Questions

